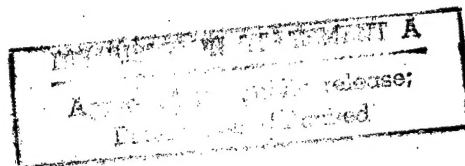


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# China Report

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25 August 1983

## CHINA REPORT ECONOMIC AFFAIRS

No. 375

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## NATIONAL POLICY AND ISSUES

### REFORM OF WAGE SYSTEM VITAL TO MODERNIZATION

Chengdu SICHUAN RIBAO in Chinese 23 May 83 p 1

[Editorial: "Enthusiastically Carry Out Experiments and Gradually Reform the Current Wage System"]

[Text] The wage system now in force in our country was essentially the one adopted in 1956 as a result of a wage reform. Since then, it has played a positive role in promoting production and in improving the standard of living of workers. But over the past 20 years, the situation has undergone great changes, and many problems have cropped up under the pernicious "leftist" influence. Because of this, plans must be worked out and steps must be taken to reform this wage system until it is capable of meeting the requirements for the development of production and the four modernizations program.

During the past 2 years, in the course of reforming the economic institution, some enterprises in our province have used the incentive fund drawn from the percentage of profit retained by them for the purpose of reforming the wage system, and carrying out experiments aimed at selecting workers for promotions on a regular basis. So far, this small-scale reform has produced remarkable results. Recently, the provincial labor and personnel departments have prepared enterprises throughout the province for further enforcing this floating wage system so as to clear the way for reforming the entire wage system in the future. At present, much work still needs to be done in order to solve this problem.

To reform the current wage system is a very complicated task involving the direct interests of workers, or a task which must be carried out in close coordination with the entire economic reform on the basis of increased revenues made possible by expanded production. This reform calls for upholding the basic principle of "giving first priority to the task of feeding people with adequate food and second priority to construction," and for conscientiously putting into effect the principle of "from each, according to his ability, and to each, according to his work." A specific wage policy can be worked out realistically on that basis. This is the major reason why our province has achieved a more remarkable result than elsewhere from experiments with wage reform. At present, it can be said that all enterprises which have been selected to reform their wage systems are

those which have completed the process of reorganization, with their major economic and technical targets reaching the advanced levels, and which are known for their ability to develop production continuously. The increased wage bill resulting from experimental wage reform must be drawn from the percentage of profit retained by enterprises. In other words, enterprises selected to carry out the wage reform must do so "at their own expense," and must budget their spending for this purpose in a way that will in no way go beyond the authorized limit. One of the objectives in doing so is to relieve the state of the financial burdens. But another objective that seems more important than that is to lead workers to view the economic results of their enterprises as a matter of their common concern, and to make the divisions of duty, power and interest work closely together to promote the development of production.

Each enterprise's and individual worker's contributions to the state in the form of manual labor must be statistically tabulated and strictly verified. Various scientific management systems including the system of personal responsibility for each section of the production line, regulations specifying classification standards, and requirements for fixing output quotas of various labor units must be established and improved so that those who have done more will be paid more. Only in this way can we guarantee moving the wage reform along a sound line.

Experiments with wage reform must be conducted in a way that takes into account reality, or with methods that emphasize flexibility and diversity instead of requiring everyone to "cut everything in much the same way." These are methods designed to improve the wage system until it becomes perfect. The floating grade promotion system and the floating wage system now being enforced on a trial basis remain in an exploratory stage. Since no formula for universal application is now available, no one is allowed to copy it in a simple way. For example, the enterprises selected by this province to reform the wage system have put into effect various wage classification systems. Among them are the 15-grade system for production workers, which is known for its small difference between grades but will enable workers to "move upward quickly"; the system of personal responsibility for each section of the textile production line; the standard wage classification system for cadres and workers, based on the eight-grade payscale. The experimental floating grade production system for workers also differs in method and varies from enterprise to enterprise. Every experiment with wage reform must be conducted in a way that bears in mind the need to develop a nationally applicable general formula incorporating broadminded views standing for control and narrowminded views standing for liberalization. While doing so, we must move cautiously, and take into consideration the nation's needs. Only in this way can we avoid being blamed as a stumbling block to the all-out effort to reform the wage system. Enterprises not yet selected to reform their wage systems must make conscientious efforts to revamp and improve their incentive systems, and put into effect the piecework wage system, the profitsharing system, and the experimental floating wage system.

At a time when further efforts are being made by this province to broaden the experiment for wage reform, and when the qualified enterprises are being selected to try out the floating wage system, party committees at all levels, and leading administrators must effectively strengthen their leadership over this work, and conscientiously carry out ideological and political work. At present, equalitarianism remains a major obstacle that stands in the way of the wage reform. We must continue our efforts to eliminate the thought of eating out of one big pot of rice in socialist society, and the remnant "leftist" ideological influence opposed to the principle of "to each, according to his work." We must focus attention on preventing people from viewing money as the most important thing in the world. Both positive and negative experiences we have accumulated since the founding of our republic show that the principle of "from each, according to his ability, and to each, according to his work" cannot be put into effect without strengthening ideological and political work as a basis for stimulating workers to strengthen their sense of responsibility as masters of their own country. The same is true of those enterprises which have been selected over the past 2 years to reform their wage systems in our province. It is necessary for various enterprises to convey the vital significance of wage reform to workers, and to devote themselves to teaching workers to distinguish "those who merit commendation for their industriousness from those who deserve punishment for being lazy." They must guide workers to consider the situation as a whole, to look forward, to make successful efforts to promote production and to achieve good results in other work.

At present, the economic reform is progressing rapidly. The reform of the business management system carried out by various enterprises has stimulated the reform of the wage system. We must further emancipate our minds, bravely carry out experiments, and never stop probing. Only in this way can we reform the current wage system step by step and in a well-planned manner, and strive to replace it with a new wage system characteristic of Chinese-style socialism.

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## NATIONAL POLICY AND ISSUES

### STRENGTHENING RESPONSIBILITY SYSTEM DEEMED CRUCIAL TO ECONOMIC REFORM

Chengdu SICHUAN RIBAO in Chinese 25 May 83 p 1

[Editorial: "The Economic Responsibility System Adopted by Enterprises Needs to Be Further Improved"]

[Text] To establish and improve the economic responsibility system until it becomes perfect is the key to success in revamping enterprises in every conceivable way, and an important aspect of restructuring the business administration. Bringing this work to a successful conclusion will have a significant role to play in stimulating the enthusiasm of workers for promoting production, for boosting economic results and for running socialist enterprises well.

During the past several years, as a result of an experiment aimed at revamping the management system step by step, enterprises on industrial and communications fronts in our province have continued to establish and perfect their economic responsibility system. It is clear that the implementation of the economic responsibility system tying the economic interests of each enterprise to performance by its management and workers and requiring each of them to assume additional responsibilities and bear greater burdens than ever has given impetus to production. The implementation of the economic responsibility system also proves instrumental in prodding every enterprise to revamp its management system, to transform the divisions of duty, power, and interest into a single function, and to initially change the situation in which people are allowed to "eat out of one big pot of rice." It is also instrumental in stimulating the morale of workers for constantly expanding production. The result is indeed very remarkable. At present, enterprises on industrial and communications fronts in our province are being pre-occupied with the implementation of the profit-oriented taxation program and with the awarding of contracts to manage their businesses, while striving to build cordial relations with the state. In the course of establishing and improving the economic responsibility system, each enterprise has made further efforts to improve its relations with workers as a basis for stimulating their enthusiasm for promoting production and for raising the level of management. In this connection, we must focus attention on strengthening the following tasks: First, we must lead enterprises and workers to honor their economic commitments to the state, and explain

economic and technical targets in detail to every office, section, workshop, group and individual so that a perfect economic responsibility system comprising the divisions of duty, power and interest, and shared by factory leading cadres and workers will take shape and be put into effect; second, we must put into effect an overall stringent evaluation system designed to survey the value of output, output itself, profits, the quality of various products, their production costs, working capital, safety measures and service quality claimed by the commercial sector; third, the incentive system designed to commend industrious workers and punish lazy ones must be improved so that enterprises will be able to classify all positions and responsibilities held and borne by workers, and to commend or punish them, if necessary, in accordance with the related regulations. The economic responsibility system adopted by enterprises on industrial and communications fronts in our province takes the form of "contractual commitments coupled with economic accounting" originating from the Capital Steel Mill, or joint operations emphasizing profit-sharing, and bonus-awarding based on work points, or contractual commitments coupled with bonus-awarding, and/or piecework and extra piecework computation processes. Whatever economic responsibility system an enterprise may adopt, it must emphasize the "contractual commitments" as the key point, clearly divide up the responsibility among workers, and base commendation and punishment on facts. These are measures which will guarantee the successful implementation of the state plans.

To improve the economic responsibility system is a task that must be carried out by enterprises in coordination with their other basic tasks. To this end, they must strengthen specialized management, improve the original data processing, estimation, examination, inspection and standardization systems, and establish legitimate administrative agencies and staff them with enough well-trained personnel. On that basis, they must gradually put into effect a comprehensive project management system along with comprehensive quality control, economic accounting, and holographic information control systems aimed at putting capital to good use, and modernizing the enterprise management in a scientific way.

In the course of improving the economic responsibility system, enterprises must continue to strengthen ideological and political work, and keep themselves moving in the socialist direction. They must understand that the objective of implementing the economic responsibility system is to help workers strengthen their sense of responsibility as masters of their own country, boost the economic results, and to bring material benefits and spiritual civilization to the nation. In evaluating the economic results, each unit must do so not only from the narrowminded point of view but also from the broadminded point of view of our society as a whole, and must subordinate the local interest to the national interest. It must strictly obey the state policies and decrees, observe financial and economic discipline, and encourage workers to make contributions to their country in every possible way. It must prevent them from abandoning the state plans in

favor of more profitable ones, from seeking bonuses in an unreasonable way, from producing goods in a rough and slipshod way, from raising prices in disguised ways, and from following other erroneous tendencies. It must guide workers to devote their energy to improving their production skills and business administration, and to boosting the economic results in an all-round way.

At a time when the overall reorganization of enterprises in this province is well underway, various localities and departments must follow this work of reorganization and reform with an extensive survey of how enterprises are faring during the implementation of the economic responsibility system, which may need to be further improved in response to the different demands of various enterprises. Since the implementation of the economic responsibility system by the industrial sector is more complicated than that by the agricultural sector, we must continue to sum up experiences and lessons, seek laws governing its implementation and make more meticulous and thorough efforts in this direction. Only in this way can enterprises endeavor to improve the economic responsibility system until it becomes perfect and accelerate the development of the socialist economy.

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## NATIONAL POLICY AND ISSUES

### KEY CITIES PLAY MAJOR ROLE IN ECONOMIC REFORM

Chengdu SICHUAN RIBAO in Chinese, 14 Apr 83 p 3

[Article by Guo Jie [665 2638]: "Take the Development of the Role of Key Cities as the Main Point of Reform"]

[Text] The "Report on the Sixth 5-year Plan" by Premier Zhao Ziyang as a representative of the State Council pointed out: the development of the role of key cities is one of the key points in reforming the system within the next 3 years. We "must take the economically more developed cities as centers to lead the surrounding rural areas, uniformly organize production and flow, gradually form economic zones of various scale and various types centered around cities."

Our party pays much attention to developing the function of cities in socialist construction. Even on the eve of liberation, Comrade Mao Zedong clearly pointed out at the Second Plenum of the Seventh Party Congress: "From now on, the period of progressing from the cities to the rural areas and the cities leading the rural areas has begun. The emphasis of party work has shifted from the rural areas to the cities. .... We must exert great efforts to learn urban management and urban construction." After national liberation, Comrade Mao Zedong again proposed the question of developing the function of the original industrial foundation in cities while summarizing the experience in our nation's economic construction. He emphatically pointed out: "Utilizing and developing the old foundation of coastal industries well can give us more strength to develop and support inland industries." To realize the above demands proposed by the party and Comrade Mao Zedong, we conscientiously grasped urban construction in socialist buildup. For more than 30 years, we not only rebuilt and expanded the original large and medium cities, we also built a number of new cities. These cities have concentrated the major industrial enterprises. They possess modernized productive forces, and they are the backbone forces of economic construction. Take Sichuan as an example, the cities established according to administrative zoning, Chengdu, Chongqing, Zigong, Dukou, Neijiang, Yibin, Luzhou, Wanxian, Nanchong, Daxian, Mianyang, Leshan and Xichang cover only 4.89 percent of the area of the whole province and their population constitutes only 16.33 percent by the fixed assets possessed by industry in these cities constitute 53.22 percent of the entire province. These cities have many factories, their production output is large, and their total industrial production value reaches 16.575 billion yuan, constituting 41.29

percent of that of the entire province. The profits of industrial enterprises of the system of ownership of the whole people constitute 72.17 percent of that of the whole province. Because industries and commerce are developed, the revenue from these 13 cities also constitutes 62.55 percent of that of the whole province. They play a decisive role (the above figures are all taken from 1980 statistics). But, the administrative management system and administrative agencies of the past were not rational enough, towns and villages were divided, vertical and horizontal communications were diffused, leadership was diverse. Thus, the links between key cities and their surrounding rural areas were severed, and the function of cities as economic centers did not develop well. Now, our task is to develop as a key point the function of key cities in reforming the economic system. We must change the irrational administrative management system and the irrational establishment of administrative agencies, establish and strengthen the links between key cities and their surrounding rural areas, realize the goal of using cities as centers to lead rural areas, and uniformly organize production and flow to promote an overall and rapid development of the economy.

In the reform of the economic system, there are many benefits in grasping the development of the function of key cities as the key point. First, this can fully utilize the existing industrial foundation in large and medium cities, organize an economic network centered around cities to promote cooperation between cities and rural areas and joint reorganization of industries. Everyone knows that the buildup of our nation's economy must be based on the existing industrial foundation. This is an important guiding thought. After more than 30 years of construction, we already possess many industrial enterprises of a fairly large scale and a definite technical standard. They are important material and technical foundations to carry out modernized socialist construction in our nation. These backbone enterprises are mostly concentrated in large and medium cities. But because of the structure, the relationship between towns and villages and between the vertical and the horizontal were not handled well. The organizational structure of enterprises was irrational. "Large and complete" and "small and complete" projects were outstanding, the level of cooperation between specializations was low, benefits from production were poor. To change this situation, we must take the cities as the centers to lead the industrial reorganization in surrounding farm villages according to the objective demands for socialized production at present, widely develop many forms of joint economic ventures within the cities and between cities and villages so that the organizational structure of industry and product structure can all become rational. Doing so not only will favor the reduction of the levels of organization, improve efficiency, it can also break down the walls between cities and villages and vertically and horizontally through industrial reorganization and linkage, and push forward the development of industries in economic zones linked with the key cities. This management system that joins cities and villages and the vertical and horizontal can make the organizational structure of enterprises and the distribution of productive forces more rational, and allow industry and other occupations to develop in a coordinated way.

Second, paying attention to the development of the function of key cities in carrying out reforms also benefits rationally organizing the production of

commercial products and the flow of commercial products. Large and medium cities have a concentrated population, transportation is developed, exchange of commercial products is active, and they are centers of flow of commercial products. But, the past system of product flow was not rational enough and in a city there are departments subordinate to different systems that control many types of flow, the leadership is diverse, cities and villages are blocked, the flow of products is not smooth, and the exchange of materials between cities and villages has been hindered. Now, we must change this situation, establish various types of economic zones based on the cities, unify the production of commercial products and the flow of commercial products, establish a socialist market of commercial products that has many channels and few links, that is open and based mainly on state-run commerce. After such reforms, the cities will become centers of commerce. This can overcome regional isolation and blockage of cities and villages. It favors organizing the flow of commercial products according to economically rational principles. At the same time, it can grasp and transmit market information in time, stimulate the production of commercial products inside the whole economic zone according to the development of the needs of the market.

Third, paying attention to developing the function of key cities in carrying out reforms can also push forward technical cooperation, and stimulate the popularization of science and technology. The scientific and technical strength our nation currently possesses is mainly concentrated in large and medium cities. Whether in equipment or in scientific research personnel, the key cities have a more obvious superiority. Relying on these cities to lead the surrounding rural areas to form economic zones favors uniformly utilizing scientific and technical equipment and talent, and the forces of all sectors can be organized to jointly overcome difficulties. It favors stimulating the direct alliance between science and technology and industrial and agricultural production, and it favors the development of social productivity. It benefits the development of technical cooperation and union between the key cities and the economic zones, it is favorable to forming a system for the popularization and dissemination of science and technology within a definite region on this basis, and it is favorable to forming a scientific research network that combines the cities and villages. All of these are greatly beneficial to fully developing the function of science and technology in the national economy.

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## NATIONAL POLICY AND ISSUES

### STATE-OWNED ENTERPRISES TO SUBSTITUTE TAXES FOR PROFITS

Chengdu SICHUAN RIBAO in Chinese, 14 Apr 83 p 1

[Editorial: "Changing Submitted Profits of State-Run Enterprises to Taxes Is a Direction of Reform--On Firmly and Orderly Carrying Out Economic Reforms"]

[Text] Since the 3d Plenary Session of the 11th Party Congress, we have found a correct way and have summarized a good form to reform the economic management system in handling the distributive relationship between the state and the enterprises after conducting many trials. It is to change profits of state-run enterprises into taxes, i.e., to change the profits submitted by state-run enterprises into taxes according to the type of taxes and the tax rate stipulated by the state. Now, the Central Committee of the party and the State Council have decided to implement this policy of changing profits into taxes on an overall basis in state-run enterprises. This is a major decision. It is the direction of reforming the economic management system. The leadership at each level in our province must have a firm attitude and implement forceful measures, and conscientiously carry out this reform well.

The purpose of changing profits of state-run enterprises into taxes is to further expand the autonomy of enterprises, i.e., to allow enterprises to have power and also to exert pressure on enterprises and thus add vitality, improve business management, and improve economic results. According to the situation at the test points of changing profits into taxes in our province, the methods used by industrial and commercial enterprises are not the same, but the economic results have all been good. During the 3 years from 1980 to 1982, total production value, profits and taxes submitted by the 10 industrial test-point enterprises realized a gain of 14.9 percent, 13.8 percent and 8.39 percent, respectively. The total sales, profits and taxes submitted by 89 commercial test-point enterprises averaged over the 3 years showed an increase of 23.9 percent, 7.66 percent and 8.21 percent, respectively, over the figures before the test. They were all higher than the scale of increase of upward-oriented enterprises. Facts strongly show that the view that changing profits into taxes cannot mobilize the enthusiasm of enterprises and workers is unfounded. Changing profits of state-run enterprises into taxes has exerted an important function in urging the enterprises to strengthen the business responsibility system; to allow a better combination of responsibility, authority and profit, improve economic benefits, overcome the shortcoming of eating "from the big pot," guarantee a

stable growth in state revenue, take into consideration the benefits of the state, the enterprise and the masses of workers, coordinate efforts with other economic reforms, gradually eliminate departmental and regional boundaries, readjust the structure of the enterprises, rationally organize production, suitably use the leverage of taxation, regulate production, regulate profits, encourage the advanced and spur on the backward. Also, in the future, as the changing of profits into taxes is implemented on a widespread basis, its function will become more and more visible. Therefore, Premier Zhao emphatically pointed out: "The direction of changing submitted profits into submitted taxes should be affirmed," to "hasten the progress toward changing profits into taxes."

The implementation of changing profits into taxes must follow these principles: First, enterprises must be vitalized; second, pressure must be exerted on enterprises; third, the state must receive the major portion. This means that when implementing the change of profits into taxes, a high standard and strict requirement must be upheld for enterprises, and backward enterprises cannot be tolerated and appeased. If there is no pressure on the enterprises, if they can easily realize profits, then neither the state nor the enterprises will benefit. We should realize in particular that the taxes and profits submitted by state-run industrial and commercial enterprises in the province constitute over 90 percent of the total revenue. They are the main sources of accumulated funds of the state for construction. In implementing the change of profits into taxes, we must handle the relationship of the benefits of the three well, truly allow the state to receive the major portion and allow the enterprise to receive the medium portion and the individual to receive the small portion to guarantee a stable growth of revenue for the state. We should also clarify that what we call the major portion for the state means that the state must receive the major portion of the newly-added portion of the revenue of the enterprises each year. The revenue originally submitted by the enterprises and the newly added revenue are not added together. This is because the revenue originally submitted by the enterprises to the state has already been included as the basic amount for financial expenditure and it is not possible to redistribute it again. If we do not understand the problem and handle it in this way, it would not be possible to concentrate funds and guarantee the needs of the state for key construction. Of course, in changing profits into taxes, the proportion of profits for the enterprises stipulated by the state should be continually maintained, this means, the changing of profits into taxes must protect the proper profits the enterprises are legally entitled to. We cannot use this opportunity to take away a portion of the profits of the enterprises, nor can we give the enterprises another portion of the profits in changing profits to taxes. All enterprises must be aware of the overall situation, self-conscientiously abide by the principle that partial benefits must follow overall benefits and immediate profits must follow long-term profits. They must exert efforts to improve business management, increase output and conserve, increase revenue and conserve expenditures, and support the state's key construction projects.

State taxation is compulsory and strict. The purpose of changing the profits submitted by enterprises to the state into the form of taxes is to levy

taxes according to law and the tax rate. Therefore, the method and steps to implement the changing of profits into taxes in our province should follow the uniformly stipulated types of taxes of the state, the tax rate and the type of work. We cannot emphasize special treatment and each going its own way. According to the spirit of the Fifth Session of the Fifth National People's Congress, the changing of profits into taxes is divided into two ways. The first step is to tax and provide profits for large and medium state-run enterprises, i.e., first levy a 55 percent income tax on the profits realized by the enterprises, then rationally distribute the remaining profits between the state and the enterprises by adjusting taxes, adding profits for contract work, proportional distribution of surplus revenue from fixed-quota contract work, and distribution of profits to contract workers according to the proportion stipulated by the state. Enterprises whose profits after taxes do not meet the level of profits the enterprises should have and where the gap between actual profits and the level of profits is relatively large can enjoy reduced taxes or tax-free status. The second step is that when the price structure becomes rational and the level of management of the enterprises is gradually improved, the submission of profits after taxes can be abolished to thoroughly implement "changing profits into taxes," and a progressive income tax can be levied according to the profits of the enterprises. Changing of profits into taxes can be implemented immediately for small industrial enterprises with original fixed capital assets worth less than 1.5 million yuan and a profit of less than 200,000 yuan, and commercial enterprises with less than 20 employees and a profit of less than 50,000 yuan. The progressive tax will be levied in eight levels. This coincides with our nation's present economic development and the actual situation in state-run industrial and commercial enterprises, and this takes into consideration state benefits and the benefits of the enterprises. It also benefits hastening the progress in reforming the economic system. Therefore, in the course of implementing the changing of profits into taxes, enterprises which have already implemented contract work and the contract system and enterprises practicing other forms of distribution should in principle all change their systems around to follow the nationally unified method. A few enterprises which have difficulty doing so can postpone such a changeover after approval. In general, there must be a sense of urgency in changing profits into taxes. It is better to change profits into taxes earlier than later, and such changes must be good, not bad.

Changing profits into taxes is an important reform of the profit-distribution system of the enterprises and an important reform of the taxation system. It involves a broad scope, there is a strong policy nature, the situation is complex, the party committee and government at each level must strengthen organization and leadership, their attitude must be firm, the measures must be forceful and progress must be accelerated to guarantee that the work of changing profits into taxes can be smoothly carried out. All industrial and commercial enterprises must abide by state plans, abide by the law and protect the reputation of socialist enterprises. Activities which violate the law and damage the benefits of the state and the benefits of the people and masses are absolutely prohibited. The financial and taxation departments at each level must cooperate with the management

of enterprises to further and strictly manage cost and funds, strengthen supervision and inspection, stop tax loopholes, urge the enterprises to manage and use well the funds retained by the enterprises, improve business management, promote progress in technology, develop the potential in production and business, exert efforts to increase revenue and make new contributions to support the state's key construction projects.

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## NATIONAL POLICY AND ISSUES

### NEED TO TIGHTEN UP PRICE CONTROL, PROMOTE PRODUCTION EMPHASIZED

Chengdu SICHUAN RIBAO in Chinese 26 May 83 p 1

[Article by SICHUAN RIBAO commentator: "Basic Price Stability Must Be Maintained in Order To Gradually Carry Out the Work of Price Reform"]

[Text] As the economic reform is in full swing, the task of price workers is mainly twofold: the first is to continue to strengthen price control and to maintain basic price stability, the second is to take steps to reform the price structure and the price control measure while maintaining the prerequisite basic price stability.

The efforts to continue to maintain basic price stability is in the interests of the nation and people, desired by the construction sector, welcomed by the public, and essential to reform. At present, the entire economic situation marked by the vigorous development of industrial and agricultural production, booming markets, increased circulation of commodities, and the desire to improve the quality of products is a factor that will contribute to the goal of achieving basic price stability. But there also exist unfavorable factors that may stimulate prices to go upward. Among them are the excessive growth of investment in fixed assets and expense funds, and the recordbreaking growth of the social purchasing power; the tendency to raise prices in disguised ways and without authorization as a result of expanded capital construction, and expanded heavy industrial production which may cause widespread shortages of energy and raw materials. An increase in cases of raising prices in disguised ways and without authorization is also expected due to management's inability to cope with the new situation resulting from the implementation of the financial contractual system and the economic responsibility system. The tendency to increase the percentage of profit retained by enterprises and the distribution of bonuses to workers through the manipulation of prices is regaining strength as a result of the failure by some enterprises to boost economic results. Furthermore, some collectives and individual vendors have even gone so far as to buy up commodities now in short supply from state-owned stores and then resell them at lucrative prices. For this reason, we must work harder than ever in order to keep prices at their present stable levels. The key to success in stabilizing prices in the fundamental way lies in efforts to develop production, boost economic results, achieve a well-balanced development of the national economy, and balance revenue with credit, and available



commodities with the social purchasing power. At present, it is significant to take strong and effective measures to control the growth of investment in fixed assets and expense funds in accordance with the state plans. We must take a step forward in tightening up price control and in strictly bringing the readjusted prices of consumer goods under control, and in continuing to stabilize the prices of the people's daily necessities and service charges at their present levels. We must vigorously help priority or specialized households develop production of staple and nonstaple foods such as meat, vegetables, eggs, and poultry needed by residents in major cities and industrial and mining areas, increase the percentage of their marketable products, improve their supply services, and keep their prices in check. When negotiable nonstaple foods are being sold in cities in increasing quantities, "such negotiations on prices should be regulated." Manufacturers must continue to supply the market with regular quantities of commodities as they have promised, and must sell them at prices posted by the state. Under no circumstances can they sell them at negotiable prices. When they are allowed to sell some of their goods at negotiable prices, they should bear in mind the idea of small profits but quick turnover. The means of production must be priced in a way that takes into account different local conditions. In other words, strict control must be coupled with decontrol to a certain degree. The price control authority must have a final say on any decision to readjust their prices, so that the prices can be kept within the bounds set by the state. During the implementation of the "Provisional Price Control Regulations" proclaimed by the State Council, we must continue to do a good job of checking and monitoring prices, a task that must be carried out on a regular basis and institutionized in accordance with the mass line. During the reform, the price watchdog function should be strengthened rather than weakened. To enliven the economy, we must emphasize flexibility in the implementation of the price control measure, so as to give enterprises leeway for movement while tightening up control and keeping close watch over prices, forcing enterprises to take action to improve their management, and preventing them from playing a game with the prices at the expense of the interests of the state and the consumer. They must understand that decontrol does not mean giving up control, the more the prices are decontrolled, the greater the need to keep an eye on their trend. We must bring all violators of the pricing principle, policy and discipline to justice and deal with their crimes seriously.

The value of a commodity is subject to changes from time to time. The same is true of its price. In this connection, the desire to stabilize prices in a fundamental way actually stems from the concept of relativity, which carries a desire to readjust prices in a logical way. Only by readjusting prices in a logical way can we promote the development of production, and further bring prices under control. In other words, only by building the price structure on a logical basis can it last long. The illogical price system in our country has its roots in history. Since our price control measure is full of loopholes, it has become a stumbling block to the development of productive forces and, therefore, needs to be reformed. If the price structure and the price control measure are not revamped, they may

pose a threat to reform on all other fronts. Although our small-scale experiments with the price reform conducted over the past several years have produced remarkable results, they remain far from being able to keep pace with the demand for the development of the national economy. At a time when reform on all fronts is progressing rapidly, there is a growing demand for price reform to catch up. Since the work of price reform is a complicated problem of major public concern, it must be carried out step by step and in an orderly fashion, and placed under specific leadership in accordance with the Central Committee's unified plan. Under no circumstances can the price structure be reformed recklessly and without authorization. In revamping the price control measure, we must uphold the principle of backing up the development of the planned economy with the marketing management, combine uniformity with flexibility, and improve the efficiency of scientific management. To insure success in reform on all fronts, we must strengthen leadership over this work, do a good job in the ideological and political fields, vigorously stand for the principle that calls for attaching equal importance to the interests of the state, collectives and individuals, consider the situation as a whole, and protect the collective interests.

The key to success in stabilizing prices in a fundamental way and in carrying out the reform lies in boosting economic results. The reason is that only by boosting economic results can we lay a material foundation for stabilizing prices, pledge to keep prices in check, and successfully carry out reform without lowering the internal revenue to the state and the basic living standards of the people. It is certain that reform on all fronts will result in boosting economic results and in bringing benefits to the nation and people. We must concentrate on shifting the emphasis of price control work in a way that will enable us to achieve a greater economic result than ever. We must bring into play the role of price as an economic level and devise logical ways to exhibit products using old and modern technologies, and compare their prices, thus pushing our technology to a new level. We must devise logical ways to compare the prices of high-quality goods with those of poor-quality goods in the hope of improving their quality. We must display various categories of products capable of substituting for one another, so that the consumer can be encouraged to use them in a comprehensive and economical way. We must devise logical ways to exhibit price differentials between various commodities now in circulation as part of an effort to speed up their circulation and distribution in a reasonable way.

The price department is a multipurpose, well-coordinated supervisory agency responsible for revamping the price structure, and for coordinating with other agencies in overseeing the enforcement of the price policy. Its workload is indeed heavy and responsibility great. We must strengthen the price agency by staffing it with enough personnel in accordance with the related regulations of the CPC Central Committee and the State Council. We must spare no effort to strengthen the price work teams, help them open a new prospect for their work and raise it to a new level.

## NATIONAL POLICY AND ISSUES

### GUANGMING RIBAO ON RESTRUCTURING ECONOMIC SYSTEM

HK121328 Beijing GUANGMING RIBAO in Chinese 31 Jul 83 p 3

[Article by You Lin [2589 2651]: "An Inquiry Into Certain Questions Involved in Restructuring the Economic System"--passages within slantlines published in boldface]

[Text] The restructuring of the economic system in accordance with the needs of socialist modernization represents an important task on the present economic front. The CPC Central Committee has pointed out for us the orientation of the reforms carried out on this basis have achieved marked results; achievements in the reform of the rural economy have been particularly remarkable. But if we are to sum up our past experiences by seeking truth from facts, to draw up an overall program in keeping with the actual situation of our country, and continue to push the reform forward in a systematic way, there remain many problems to be further researched. Below, I shall set out some sketchy opinions on the subject.

The Socialist System of Public Ownership Must Be Upheld, but Its Extent and Scope Must Be Commensurate With the Situation of the Forces of Production

/The form of the system of ownership of the means of production is a basic question in the relations of production. An important part of the restructuring of the economic system consists of, under the prerequisite of the system of ownership by the whole people occupying the main position, developing different forms of economy so that it conforms more fully to the situation of the forces of production./

The socialist relations of production in our country are superior. Their superiority lies in the fact that they promote the development of the forces of production at a speed never seen in the old society. However, due primarily to the influence of mistaken "left" thinking, they contain shortcomings in certain aspects; in particular, serious malpractices still exist in the administrative system, which constitutes the specific form of these relations, malpractices which are highly unbeneficial to the modernization of industry, agriculture, national defense, science, and technology. The elimination through reform of these malpractices and shortcomings so that our relations of production more nearly conform to the situation of the forces of production, and the bringing into fuller play of their role in promoting the modernization, constitute the fundamental goal of our restructuring of the economic system.

Upholding socialism is one of our basic principles, and the restructuring of the economic system can by no means violate this principle. But how can we better uphold this principle? This involves an understanding of the basic characteristics of the socialist relations of production. In any socioeconomic structure, the system of ownership of the means of production is one of the basic questions involved in the relations of production. When looking into the relations of production, it is necessary to fully affirm the importance of the system of ownership of the means of production.

In one important aspect, the nature of labor can clarify the nature of the relations of production. However, slave labor has as its prerequisite the ownership by slave owners of the means of subsistence and production of the slaves; serf labor has as its prerequisite the ownership by feudal landlords of vast territories; hired labor has as its prerequisite the separation of a free worker from his means of production and the means of production being the opposite of the worker in the form of capital; while cooperative labor has as its basis the concentration of the means of production on a national scale. Changes in the system of ownership of the means of production will inevitably bring changes in the nature of labor. Therefore, when the two are compared, the form of ownership of the means of production is more fundamental.

Explaining why "the different stages of the development of the division of labor" progressed "at the same time as different forms of the ownership system," Marx and Engels said this: "In other words, each stage of the division of labor is based on the relations between each worker and the materials, tools, and products of his labor, which decide their mutual relations." ("Complete Works of Marx and Engels," Vol 3, p 25) The form of ownership of the means of production not only determines the other aspects of the relations of production, but also runs through all the various aspects of production relations and their whole process. In recent years, some comrades have argued that you cannot see the system of ownership of the means of production as an important part of the relations of production, and in doing so have cited some of Marx' words in his critique of Proudhon. Can this be used as a basis? It is first necessary to be clear about what Proudhon proposed and what Marx criticized. Put simply, Proudhon considered that the system of ownership (the legal term for which is the right of ownership) was an independent relationship outside social relations; he saw the system of ownership as a relationship between man and material objects, and so denied the different social natures of systems of ownership and their historical and temporary natures. Marx criticized this concept of his as "a metaphysical or legal illusion." Marx considered that in investigating any system of ownership, it was necessary to link it with the whole of the relations of production. This involved conducting research from the point of view of all the various aspects of production relations and the process of their movement; it was absolutely not possible to divorce oneself from these relations and their movements in one's research. In his own words, you must "include them from the point of view of their actual form as /relations of production/." ("Complete Works of Marx and Engels," Vol 16, p 30) From this we can see that it is not necessarily appropriate to use Marx's words in his critique of Proudhon to negate the fact that the system of ownership of the means of production is an important part of the relations of production and to say that it exists independently of them.

The theory of scientific socialism created by Marx pointed out the basic characteristics of the socialist economy. In his introduction to Marx' "The Class Struggle in France," Engels said: "What gives this work such great significance is that it points out for the first time that workers' political parties all over the world are used to state the formula for their demand for the transformation of the economy, that is, that the means of production are returned to the ownership of society." He also pointed out that this was the natural extension of the "Manifesto of the Communist Party." ("Complete Works of Marx and Engels," Vol 22, p 593) Following on the thesis of Marx and Engels, Lenin gave the following summarization of the fundamental characteristics of the socialist economic system: "Humanity can only proceed directly from capitalism to socialism, that is, make the transition to the public ownership of the means of production and distribution according to work." ("Collected Works of Lenin," Vol 24, p 63)

If we are to uphold the socialist economic system, we must uphold the public ownership of the means of production. But the scope of public ownership and its extent must be based on the situation of the forces of production. Due to the fact that the forces of production in our country are at a low level and their development is highly unbalanced, it is not possible to carry out a single system of ownership by the whole people. We must, at the same time, make great efforts to develop the collectively-owned economy. We cannot implement public ownership 100 percent, but must, instead, bring about the appropriate development of the collective economy and of some forms of national capitalist economy involving cooperation with foreign investors. Briefly, under the prerequisite of the system of ownership by the whole people occupying the dominant position, we must develop diverse forms of economy. This is both an important part of the restructuring of the economic system and a goal which must be achieved through reform. Through this kind of reform, the socialist publicly-owned economy will retain its absolute superiority; the difference will be that it conforms better with the situation of the forces of production.

Enterprise Rights Must Be Expanded, but the Extent of These Rights Must Be Determined by the Nature of the Enterprise

/Different systems of ownership and different scales of enterprise should have different limits of authority. When we expand these limits, we cannot exceed the scope allowed by the type of ownership system involved. The principle on which the extent of these limits is decided should be that of guaranteeing that the publicly-owned economy develops year by year and gets increasingly stronger and more stable./

Engels once created the following vision: Under conditions in which the whole of the means of production comes under the system of ownership by society, "all production sectors will be managed by the society, that is to say, they will be managed for the public interest, according to an overall plan, and with the participation of all members of society." ("Collected Works of Marx and Engels," Vol 4, p 365) Lenin also said that under the above conditions, "the whole of society will become an administrative office, a factory in which all work is equal and all rewards are equal," "the whole of the people will become the staff members and workers of a national 'syndicate' owned by the whole people."

("Collected Works of Lenin," Vol 25, p 460) This is a theoretical abstraction and a sort of scientific prediction concerning socialism at a high degree of development. Practice has proved that this stage has not been arrived at, neither in our country nor in any other socialist country. The situation of the forces of production in our country dictate that for a considerable period of time, a considerable number of enterprises must come under the collective system of ownership. Even in state-run enterprises, the state cannot manage absolutely everything as it used to do, giving the enterprise no authority whatsoever over personnel, materials, supply, or marketing. This practice not only ties the hands of enterprises and prevents them from making full use of their initiative, but also weakens the scientific nature of state administration and especially of planned management. Since the 3d Plenary Session of the 11th CPC Central Committee, we have expanded the autonomy of enterprises, this has been absolutely necessary.

Different enterprises should have different limits of authority. "Things are different, and so are their circumstances." Making no distinction between different things but, instead, using the method of "cutting everything with one knife," is of no benefit; on the contrary, it is damaging. The difference between enterprises first involves their different systems of ownership, and second, within enterprises under the same ownership system, the difference lies in their scale and position.

We cannot possibly discuss policies for enterprises if we generalize about them without differentiating between different systems of ownership. The constitution stipulates that "state-run enterprises, with the prerequisite of being subordinate to unified leadership and of wholly fulfilling the state plans, and within the scope of the law, have autonomy over management and administration." "Collective economic organizations, under the prerequisite of accepting the guidance of state plans and following the relevant laws, have the right to independently carry on economic life." Clearly, the economic management rights of collective economic organizations are greater than those of state-run enterprises. Why is this the rule? This is because the latter is an enterprise owned by the whole people, while the former is collectively owned by the staff and workers. As for the individual economy, according to the stipulations of the constitution, it is to be managed purely by the individual worker concerned, but it must be subject to the management and supervision of the industrial and commercial administration. In the past, we did not pay much attention to discriminating between them, and to a great extent used the method of running state-run enterprises to deal with collectively-owned enterprises in the urban and rural areas; in fact, we encroached on the collective ownership rights of workers. Added with the fact that we failed to give appropriate stress to the degree of size and socialization, the result was that we blunted the initiative of workers and affected the development of production. However, while stressing this problem, we must guard against another erroneous tendency, which is to use the method of the treatment of collective enterprises to deal with state-run enterprises, giving the latter as much autonomy as the former; or using the method of treatment of the individual economy to deal with collectively-owned enterprises, letting their members become entirely independent producers. In short, we must not use one method to deal with an enterprise under a different system of ownership.



When dealing with enterprises under the same system of ownership, different methods must be adopted according to the scale of each enterprise. For example, the autonomy of large and medium-sized enterprises must be expanded, but they cannot leave the sphere of state management. Of course, state management does not necessarily have to be "horizontal" and "vertical," as in the past; it can also be exercised through specialized companies or central cities. As for small-scale state-run enterprises, generally speaking, these need not necessarily be run by the state, but can be undertaken collectively by their staff and workers or leased to them; taxes will be paid to the state, and the enterprises will take full responsibility for profits and losses. This way of dealing with small scale enterprises is by no means new. As far back as the time when the socialist transformation of the private ownership of the means of production was nearing basic completion, Comrade Chen Yun proposed that the problem of over-centralization should be corrected; he considered that decentralized production and management should be practiced with regard to small-scale factories and shops. But due to the later development of "left" mistakes, not only did this practice fail to win support, but we went in the opposite direction. This was a great lesson to us.

In one aspect, management consists of the administration of the social labor of manufacturing products; in another aspect, like the distribution of consumer products, it is the realization of the system of ownership. An economy under one system of ownership can use different forms of management and administration. Therefore, we can, under conditions in which the system of ownership remains basically unchanged, reform the type of management. In the countryside, we were able, under conditions in which the basic collective system of ownership of the means of production, prevailed, to introduce household management. Naturally, we are also clear about the fact that this sort of reform cannot go further than the scope permitted by the system of ownership concerned. Once it reaches a certain extent, quantitative change brings about qualitative change. If the limits of authority in a state-run enterprise are expanded to the extent that its economic activities are not carried out primarily in accordance with the state plan, the main economic policies are made by the enterprise itself, and products are not distributed in a unified manner by the state but are dealt with by the enterprise itself as an independent producer, then this enterprise is basically no longer a socialist state-run enterprise. Even in the case of an enterprise carrying out guiding plans, though the limits of its authority will be wider than those of an enterprise carrying out command plans, it cannot possibly decide on all the important policies itself. In the same way, if the economic activities of a collectively-owned economic organization are not in any way subject to the arrangement of the collective organization, if all the important economic policies are decided separately by the laborers participating in the collective, and if the products are not distributed in a unified manner by the collective organization but are dealt with by the individual laborers as they please, then it would be difficult to say that it was a collective economic organization; rather, it would be an individual economy with collective factors. This presents us with a question: Ultimately, how great must the limits of authority of a state-run enterprise be in the aspects of supply and marketing, personnel, materials, and so on, so that it is enlivened but does not change its state-run nature? How much autonomy should we give to the laborers in collective enterprises so as to mobilize their individ-

ual initiative but keep the collective economy intact? Finding this appropriate "degree" is an important topic in the restructuring of the economic system. From the point of view of principle, this "degree" should be able to ensure the yearly growth and strengthening of the publicly-owned economy.

#### We Cannot Demand That Our Economy Be Absolutely Pure

/The circumstances of our country's forces of production dictate that under the prerequisite of the state-run economy occupying the dominant position, the various economic forms--state-run, collective, and individual--operate in co-existence. On the one hand, this practice opposes the insistence on the public ownership of the entire national economy in disregard of the real situation, and on the other, prevents the assertion that the individual economy is collective economy, or that all things of a capitalist nature are deviations from socialism./

If we are to uncover the essence of things, we must investigate them in their pure state; but in real life, things rarely appear in this pure state. It is often the case that in one society, while one economic form occupies the dominant position, there exist simultaneously economic forms left over from the previous society; in precapitalist societies, such as slave or feudal societies, their later periods contained the buds of future societies.

As stated above, the circumstances of our country's forces of production dictate that under the prerequisite of the state-run economy occupying the dominant position, the various economic forms--state-run, collective, and individual--operate in coexistence and that in accordance with this, we carry out a principled and flexible management system in the aspects of planning, prices, labor, wages, and so on. In the past, we ignored reality and actually demanded that the socialist economy be absolutely pure, that the whole of the national economy be publicly owned, and even that we achieve ownership by the whole people in a short space of time. For instance, we basically eliminated the individual economy, rushed to change small collectives into big ones, and made collectives into entities owned by the whole people. We basically permitted only production which was carried out under state command plans, disallowing guiding plans and regulation by the market, and so on. The result of this was that the economy stagnated. Since the 3d Plenary Session of the 11th CPC Central Committee, this situation, highly inappropriate to socialist modernization, has seen some changes and is continuing to change. However, in the process of effecting this change, we must take care to correct attempts to create purity in another form--for example, the proposal to make no distinction between big, small, and medium-sized state-run companies, turning them all into independent economic entities responsible for profits and losses, or the proposal to implement only the planning administration form of guiding plans. Demanding this sort of purity is just as incompatible with the situation of our productive forces and just as unbeneficial to the development of socialist modernization.

After the reform, most of our economy will be of a socialist nature. We must offer enthusiastic and positive support to this part and promote its development. At the same time, there will be some economic forms which, though they do not come under the socialist public ownership system, are nevertheless of advantage



to socialist construction. They must be allowed to exist and develop according to the constitution and laws. But they must not be allowed to develop freely without any restriction. For example, foreign businesses investing in our country must "abide by the laws and regulations of the People's Republic of China" and "comply with the law of the People's Republic of China," and the individual economy must be subject to state administration, including guidance, help, and supervision. In ideological consciousness, we must pay attention to the following two things: First, we must be clear that in the present stage, their existence and proper development is objectively necessary; and second, we must be clear in our judgement of their nature. On the latter question, we must state what their nature really is according to the facts; we must by no means use an ambiguous formulation, still less confuse their nature. For a period of time in the past, there appeared the deviation of insisting that non-capitalist things were capitalist; now, we must guard against the appearance of another deviation, that is, to insist that the individual economy is actually a collective economy, and even to assert that things of a capitalist nature are socialist.

Under conditions in which several economic forms coexist, they may permeate and combine with each other, doing so to the extent that certain economic forms may become impure. At the same time, some transitory economic forms may appear. In the history of mankind, there is no lack of such examples. Capitalism in industry started with capitalism in workshops. The difference between capitalist workshops and artisans' workshops was initially manifested only in the number of workers hired. In his analysis of surplus value, Marx talked of the middlemen between the capitalist and the worker, namely the "small proprietor." This was a person who was a hired worker and who, like other workers, participated directly in the process of production. The small proprietor economy was a sort of transitional economy. There already existed the phenomenon of using the means of production which one possessed to take over the labor of other people and to exploit them, but it had not completely turned into a capitalist economy. In our country, the mutualaid teams, buds of socialism which existed during the period of private ownership of the means of production before the socialist transformation had been basically completed, along with the elementary agricultural production cooperatives and the joint state-private enterprises which existed before joint state-private ownership was introduced in all industries, also constituted such transitional economic forms. By now, socialism is long established, and things are very different from what they were then. However, as long as there exist diverse economic forms, they are bound to permeate each other and lose their own purity, and there will be economic forms existing in the transitional stage. This is proved by the appearance in our towns and countryside at present of a large number of joining operations between big enterprises and collectives, between collective enterprises and those owned by the whole people, and of other "mixes" between entities under different systems of ownership. Permitting such impurities within the national economy by no means prevents the socialist public ownership system from being the basis of our national economic system. Moreover, because this conforms with the situation of the productive forces, as long as we have a sense of propriety and support the dominant position of the state-run economy and the absolute superiority of the system of public ownership, it will be of more benefit to making use of the merits of the socialist system and to carrying out socialist modernization. Seeing this impurity as a bad thing; or adopting a practice of

insisting that impure parts or factors are more pure than the pure; or adopting a policy of nonrecognition, denying its existence; or recognizing it on the surface, but excluding it when it comes to judging the nature of things--all these are nonserious, unscientific attitudes.

We Must Tightly Grasp the Reform of the Distribution Structure; We Cannot Discuss Distribution in Isolation From Production

/In a socialist economy, and particularly in the state-run economy, the basic motive force should be common, overall interests and must by no means be individual and partial interests. Giving the masses an understanding of this point should form an important part of our ideological and political work./

The appropriateness or otherwise of the distribution structure plays an important role in the development of the forces of production and the consolidation of production relations. The present need for the reform of the distribution structure lies in the fact that there exist within it many malpractices which do not conform to the needs of the development of modernization. One of these maladies is the egalitarian tendency which is in contradiction with the principle of distribution according to work; whether between state-run enterprises or between staff and workers, the same remuneration is given whatever the quantity or quality of the work. This situation fails to make staff and workers be concerned, through material interests, about the results of their enterprise management and is not beneficial to the bringing into play of their initiative. Experience over many years has proved that under socialist conditions, it is impossible to ignore the principle of material benefits. And in the present stage, this principle should be applied not only in the distribution of consumer goods for staff and workers, but through such forms as retention of profits in different workers' collectives and so on. The application of the principle of material interests in the distribution of individual consumer products can encourage workers to strive for technological proficiency, improve their labor skills, and work harder and better for society, while applying such a principle in different laborers' collectives can encourage workers to work hard collectively to carry out production and management well, fulfilling and overfulfilling the state plan. The second of these maladies comes from the fact that in the past, we failed to understand deeply the existence of the relations of interest between the state, the enterprise, and the individual and the objective necessity of combining them correctly. Thus, we onesidedly stressed the interest of the state, ignoring those of the enterprise and the individual. We thought that in this way we could hasten the building of socialism, but in fact and on the contrary, the use of the method of sacrificing the interests of enterprises and individuals to carry out construction can only slow down the development of the socialist cause. Therefore, the elimination of egalitarianism, the introduction of distribution according to work, and the correction of the disharmony between the interests of the state, the enterprise, and the individual, thereby further mobilizing the initiative of each side, is a basic requirement of our restructuring of the economic system.

As we eliminate the above maladies, we must guard against going in another onesided direction. In our propaganda work, we must make the laboring people understand Marx' words "only the fruits of production can be distributed" ("Collected

Works of Marx and Engels," Vol 12, p 745), so that they consciously base the improvement of life on the development of production and the raising of labor productivity. We can by no means distribute and consume everything and accumulate nothing. If we adopt the practice of concerning ourselves only with immediate material benefits, then production will have no way of expanding and life cannot improve. At present, some people care about nothing but getting money; for example, they minimize the basic production quota undertaken, recklessly issue rewards and materials, accumulate nothing, and care nothing about compensation for means of production used up, reserve funds, or the necessary administrative costs, costs for satisfying common needs, social welfare funds, and so on. This obviously violates the basic interests of the laboring masses and goes against the nature of the socialist system of public ownership.

As to the need for the form of distribution to accord with the form of production, this is equally worthy of our attention. It must be affirmed that distribution according to work is only possible under conditions of the implementation of the system of public ownership of the means of production. Outside of this scope, for instance in the individual economy, though there may be more gain for more work and less gain for less work, there cannot possibly be distribution according to work. Some comrades have used certain reasoning to prove that what is practiced in an economy under the private system of ownership of the means of production, or where such factors are involved, is also distribution according to work; this viewpoint is incorrect. They have forgotten Marx' scientific thesis that "a certain form of distribution has as its prerequisite a certain social nature and certain social relations between those engaged in production, under production conditions." (See "Collected Works of Marx and Engels," Vol 25, p 997) After further analysis, we can see that though distribution according to work is practiced in both forms of our public ownership system, the scope in each is very different. The collective ownership economy is basically carried out within the scope of each enterprise, while enterprises owned by the whole people are basically operated on the scale of the whole state-run economy. Some comrades propose that in the future, instead of the state deciding on a unified wage scale on the basis of the level of development of the whole of the national economy, the production conditions of the state-run enterprises, average productivity, and a unified wage policy, the income of staff and workers can depend entirely on the economic performance of each enterprise. This proposal fails to conform with the whole people-owned nature of state-run enterprises. If this practice is carried out, what difference will there be between state-run and collectively-owned enterprises?

One important point in making the distribution structure conform with the needs of socialist modernization is putting the interests of the state, enterprise, and individual in correct positions, and under the prerequisite of individual and partial interests serving overall interests, giving simultaneous consideration to the interests of all three. To this end, it is necessary to make laborers understand that our state is the representative of the whole people and that the interests of the state are the basic interests of the workers and the guarantee for the interests of all individual workers and enterprises. An attempt to sacrifice the interests of the state to achieve those of the individual and the enterprise will eventually bring losses to enterprise and worker interests.

We have already described how in the past, we did not establish the necessary link between the economic management results of state-run enterprises and their interests and were therefore unable to use material interests to encourage those enterprises to take the initiative to carry out management and administration well. We pointed out the absence of inherent motivating force in enterprises and that the substitution of taxes for profit delivery and other forms established a link between their performance and their interests. This is entirely correct. However, we cannot therefore come to the conclusion that only individual and enterprise benefits, visible and tangible to workers, can act as a motivating force for them to carry out production and management. This attitude is at least onesided. In fact, even collectively-owned enterprises cannot take into account only their own interests to the exclusion of those of the whole people as represented by the state. The goal of production in capitalist enterprises is the amassing by the capitalist of the surplus value created by its workers. Our state-run enterprises are socialist enterprises under the ownership of the whole people, and their production goal, fundamentally speaking, must be to satisfy the ever-growing material and cultural needs of the entire labor force. State-run enterprises are not, as some comrades would have it, linked merely by the exchange of commodities of equal value, but are bound closely together by the ownership by the whole people of their means of production. This is by no means to deny that they each have their own interests; this would, without a doubt, be mistaken. But recognizing only this point while denying that their common, overall interests are the main ones, is even more mistaken.

According to the concept of historical materialism, the motivating force behind people's involvement in economic activities is ultimately their interests. In our socialist economy, and particularly in the state-run economy, the basic motivating force behind economic activities should be overall, common interests and should by no means be partial and individual interests. Of course, generally speaking, the masses cannot see common, overall interests as well as they can see individual, partial interests, and this makes clear the importance of ideological education. What Marx referred to as the "genius among capitalist idiots" was to see narrow individual benefits and naked self-interest as the primary motive behind human moral conduct and to declare that "social interests are a mere illusion" and that "individual interests are the only real interests." ("The Theory of Punishment and Reward" taken from "The Collected Works of Marx and Engels," Vol 2, p 170) The vulgar modern economist Keynes declared: "Mankind's love of money and his acquisitive nature are the primary striving force behind the economic setup." ("Essays in Persuasion," p 319) What they refer to as "individuals" and "humanity" are nothing more than personifications of capitalism and cannot possibly be laborers who are combined with the public ownership of the means of production. What they call the "primary motive" and the "primary driving force" are nothing but the motive and driving force behind capitalists. In our state-run economy, which is commonly owned and commonly worked in (or in combination with) on a society-wide scale, the motive and driving force behind economic activities, fundamentally speaking, must be the exact opposite of this. Giving the broad masses of cadres and workers an understanding of this point must be an important part of our ideological and political work. Social existence dictates social consciousness, and social consciousness has a strong reactive effect on social existence. The economy under the ownership of the whole people must develop under the guidance of communist

ideology; this sort of ideology must be used to educate workers linked with commonly-owned means of production so as to make them understand their status as masters and therefore enable them to handle correctly the relations between the partial interests of the enterprise and the individual on the one hand, and the overall interests of the state on the other. Only in this way can we aid the development and consolidation of the state-run economy. Individualism and magnified individualism are both products of the private ownership system, and if they are allowed to spread unchecked, they are bound to have a corrupting and destructive effect on the state-run economy. On this point, we must absolutely not lower our guard.

The reforms we have carried out so far are only the initial ones; they must be continued in a more overall, profound way. The reform must definitely accord strictly with the direction pointed out by the CPC Central Committee and strictly abide by its principles. It is incorrect to lack the courage to carry out the reform, to prevaricate and hesitate to move forward; it is also incorrect to carry out reforms at will, going beyond the correct direction and principles. Either method would not be beneficial to the creation of socialism with Chinese characteristics, to the modernization of industry, agriculture, national defense, and science and technology, and to progress toward the goal of communism, and for this reason the utmost efforts must be made to avoid them.

CSO: 4006/740

## NATIONAL POLICY AND ISSUES

### RENMIN RIBAO WARNS AGAINST OVER-DECENTRALIZATION

OW091004 Beijing XINHUA in English 0737 GMT 9 Aug 83

[Text] Beijing, 9 August (XINHUA)--Excessive decentralization was the major cause of a swell in China's capital spending in 1982, says an article in yesterday's PEOPLE'S DAILY.

The newspaper said three previous periods of over-investment--in 1958, 1970 and 1978--were brought on by "leftist" economic guidelines which emphasized rapid development over the real possibilities for expansion.

When the current decentralization program was mandated in 1979, the article said, localities and enterprises were given more power of decision, more funds and more materials for their disposal. This left the central government, which spent the bulk of its increased state revenues on improving living standards and welfare facilities, with limited amounts of money for key construction projects.

The article noted that state revenue dropped from 37.2 percent of China's national income in 1978 to 25.5 percent in 1982. Localities and enterprises used the funds in their hands for capital construction projects, it said, to make up over 80 percent of the 11-billion yuan over-investment recorded last year.

Budgeted state investment in capital construction dropped from 56.8 percent in 1981 to 49.8 percent in 1982, it added.

To remedy the problem, the article proposed the use of a system requiring units undertaking projects to sign contracts with construction units, suppliers and marketing units before work is allowed to begin. This method, advanced by the late economist Sun Yefang, may restrict over-investment, the article said.

Control of capital construction projects must be centralized, and localities and enterprises strictly prohibited from starting new projects at will, it said.

The article also proposed controlling the scale of capital construction to readjust relations between central and local revenues and the funds retained by enterprises. It said tax rates should be adjusted, and new categories of taxes levied, National income should be divided into central revenue, local revenue and revenue to be shared by the central and local governments, it suggested.

The article also said prices for fuel and raw materials should be raised to curb the blind development of China's processing industries and control bank loans for construction projects.

CSO: 4020/109



## ECONOMIC PLANNING

### SYMPOSIUM ON ECONOMY DISCUSSES PREMIER'S REPORT

Beijing JINGJI RIBAO in Chinese 17 Jun 83 p 1

[Article: "Symposium on China's Economic Problems Held to Discuss Premier Zhao's Report"]

[Text] Leadership comrades on the Financial and Economic Committee of the Sixth Session of the NPC and some representatives of the NPC and members of the CPPCC engaged in economic work and work in the field of economic theory were invited to attend a symposium on 16 June jointly sponsored by the editorial department of JINGJI RIBAO and the "Financial, Trade and Economic" Editorial Department of the Chinese Academy of Social Sciences to discuss that part of Premier Zhao Ziyang's working report touching upon problems of an economic nature. The symposium was attended by Comrade Wang Renzhong [3769 0117 6850], who also addressed the gathering. Those representatives of the NPC and members of the CPPCC who spoke at the symposium included Rong Tzuhe [2051 1311 0735], Wu Bo [0702 3134], Guan Fanjue [7070 2753 6030], Chen Daisun [7115 1486 1327], Yang Jiwan [2799 4764 3834], Liu Zhuofu [0491 0587 3940], Su Xing [5685 2502], Qiao Peixin [0829 1014 2450], Xong Zexing [1345 0463 5887] and Xu Dixin [6079 3321 2450].. Also present at the symposium were Wang Houde [3769 0624 1795] and Zuo Chuntai [1563 2504 0669]. The symposium was chaired by An Gang [1344 1481], chief editor of JINGJI RIBAO and Liu Guoguang [0491 0948 034], vice president of the Chinese Academy of Social Sciences.

#### Need to Relate Theories to Realities and to Seek Truth From Facts

The representatives of the NPC and members of the CPPCC present at the symposium expressed their confidence that the strategic objectives listed by the 12th CPC National Congress and the mission for economic construction in the next 5 years announced by Premier Zhao Ziyang at the Sixth Session of the NPC could be fully implemented. We are presently engaged in projects of socialist modernization construction and the reform of the economic structure under guidance and in accordance with a plan. So that the work we do and that the principles, policies and measures we formulate may suit the circumstances in our country, we must engage in investigation and research. The proper way to engage in investigation is to relate theories to realities and to seek the truth from facts, that is, to have a target in view. To seek the truth from facts and to have a target to shoot at, those of us engaged in work in the



economic field and in economic theories must emancipate our minds. The basic objective of socialist production is to satisfy the increasing material and cultural needs of the people. Unless we keep that basic objective in mind while engaging in the development of production, errors are likely to be committed. In engaging in construction and the development of production, we must not overlook the need to increase the rate of labor production and to seek to improve the material and cultural life of the people, and we must avoid taking any action without giving any thought to the changes of success under the actual circumstances. Otherwise, errors are liable to be committed. In going about our work in the economic field since the establishment of the republic, we have experienced successes as well as setbacks and even devastating setbacks. We must sum up our historical experiences in going about our projects of socialist construction and at the same time take a page from the experiences of other countries. In engaging in research, we must relate our theories to realities and formulate policies for the establishment of socialism that are in line with the circumstances and special features of our country.

#### Establishment of a Sound Concept of Economic Efficiency

The representatives of the NPC and members of the CPPCC present at the symposium stressed the fact that the increase in economic efficiency constituted the crucial problem in the ongoing projects of economic construction in our nation. True economic efficiency is measured by products that are low in cost, low in price, high in quality and in great demand. In promoting economic efficiency, it is not sufficient merely to heed the amount of the production value. More important is the need to find out whether the products meet the consumer needs in society and whether we can turn out large quantities of better and more useful products. At present, the economic efficiency of many departments and enterprises leaves a great deal to be desired. There are many who, concerning themselves only with the amount and value of their production, tend to overlook the quality of their products and their economic efficiency. It would be idle to talk about economic efficiency without taking into consideration the quality of the products. The low rate of economic efficiency may be attributed to a number of economic factors, both macroscopic and microcosmic. In studying ways and means to increase economic efficiency, we must direct our attention to accumulation and consumption, production value and profits, benefits for the individual units and benefits for the whole, short-term benefits and long-term benefits, and the relationship between the centralization and decentralization of financial resources and the power of making decisions. We must reduce expenses, eliminate waste and strengthen overall balance. At the same time, we must also strengthen ideological political work, heighten our understanding and establish a sound concept of economic efficiency.

#### Centralization of Financial and Material Resources to Ensure Success for Key Projects of Construction

One outstanding problem plaguing economic construction is the financial stringency of the state and the serious decentralization of funds. Unless effective measures are adopted to deal with this problem, there is no assurance

that sufficient financial and material resources can be made available for the key projects of construction. Full approval was voiced by representatives of the NPC and members of the CPPCC present at the symposium, of Premier Zhao Ziyang's call "to distribute the national income in an equitable manner and to increase financial revenues in proportion to the national income." It was pointed out by those present at the symposium that, ours being a socialist nation and a planned economy, we must conceive of the entire nation as a game of chess and that the nation must have at its disposal a certain amount of financial and material resources before it can effectively embark on major projects and ensure the success of key construction projects. It should be borne in mind that these construction projects are being launched by an impoverished nation that is vast in size, rich in resources and large in population. That being the case, it is necessary that we should centralize to a suitable degree our financial and material resources if we are to engage in major projects and key construction projects. We must find a satisfactory solution to the problem of centralization and decentralization of funds.

#### Strengthening Work on Economic Theories to Form Basis for Making Decisions

Those representatives of the NPC and members of the CPPCC present at the symposium also pointed out the fact that it is on the basis of economic theories that economic policies are formed and that we are liable to make errors in the formulation of our policies if we were to distort or to misunderstand Marxist economic theories. Due to the influence of "leftist" errors in the past, the adoption of the wrong policies based on the wrong economic theories led to "a total collapse caused by a single misstep." It was further pointed out that theories, which are derived from practice, also help to determine what we practice. The great practical experience derived from the socialist construction of our nation has ushered in a golden age for those engaged in economic research and has presented them with a momentous and glorious task, that is, the establishment of a body of economic theories reflecting the special features of our nation in the actual process of socialist construction, the engagement in investigation and research into theories based on actual circumstances while socialist projects of construction are in progress, the analysis of the circumstances and the making of forecasts and the formulation of ideas and suggestions that would help the party and the state in making decisions. In their academic research, those engaged in the study of economic theories must, instead of singing a single tune, open their minds to different ideas. They must, instead of confining themselves to what is said by the authorities and the books, put a premium on actual facts. They must, in their research into economic theories, come up with independent ideas derived from their painstaking studies.

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CSO: 4006/633

## ECONOMIC MANAGEMENT

### COMPUTER STATION BECOMES OPERATIONAL IN TIANJIN

Tianjin TIANJIN RIBAO in Chinese 17 Mar 83 p 1

[Article by Staff Reporters Liu Jingwei [0491 2529 0251] and Mu Dehua [4476 1795 5478]: "Initiate New Conditions for Modernizing Management in All Departments of Tianjin's National Economy; Electronic Computer Station of the Municipal Planning Commission and Statistical Bureau Has Been Completed and Entered Into Use"]

[Text] The electronic computer station of the municipal planning commission and statistical bureau--the electronic computer center which primarily serves the management departments of Tianjin's national economy and processes economic information and statistical data of the national economy--has been completed and entered into use. The computer is operating normally.

The station is one of the projects of the State Planning Commission's system of electronic computation centers. Construction began in October 1981 and was completed last November. Through tense work by the station's technical personnel and staff and workers the IBM 4331 electronic computer which is subsidized by the UN Population Trust Fund has been installed and entered into use after a successful debugging. Through learning and training, the broad masses of technicians have mastered data input, hardware maintenance, programming and operational techniques. They are now processing the massive and complicated census data.

Besides receiving and completing the tasks assigned by concerned departments of the state, this computer station primarily serves our municipality's economic management departments, undertakes the collecting and processing of statistical data, examines the status of implementation of plans, and conducts production management. It is responsible for major economic surveys of population, goods and materials and equipment. It builds a data bank and provides the results of analyses and research, carries out the overall balance of the national economy, selects the best programs and forecast work, and initiates conditions to serve other departments. The completion of the electronic computer station has taken the first step in initiating new conditions for modernizing the management of Tianjin's national economy by all departments. It will become the foundation for training, popularizing and realizing modern management of the national economy by computers.

## ECONOMIC MANAGEMENT

### NEW HEAD OF PLASTICS PLANT REVERSES LONG TIME DEFICIT

Beijing GONGREN RIBAO in Chinese 22 Jan 83 p 2

[Article by Staff Reporters Wang Zhongen [3769 6988 1869] Zhang Dajun [1728 1129 6511] and Dong Shuzhao [5516 3219 3564]: "Middle-aged Intellectual Lu Daojin [0712 6670 2516] Begins from Reorganizing the Enterprise; Reverses 11 Years' Deficit After One Year in Office"]

[Text] The Qingdao No. 10 Plastics Plant which had accumulated a deficit of 1.17 million yuan for 11 years, miraculously made a profit of 280,000 yuan from January to November 1982, 13 times the profits made in the same period in 1981. This is the result of the middle-aged intellectual Lu Daojin's administration of the entire plant after one year.

The Qingdao No. 10 Plastics Plant came into being early in the decade of turmoil. For a prolonged period of time management of the enterprise was chaotic, labor discipline was lax and products were inferior and overstocked, creating serious deficits and the enterprise was brinking on the hopeless situation of production halt. No matter how many times the leading body was replaced it was never able to regain the initiative.

In August 1980, the higher authorities commissioned the 40-year old technician of the municipal plastics corporation Lu Daojin to conduct the administration of the whole plant. After he took office he strongly stressed strengthening labor discipline. There were several famous "tyrants" at the plant whom no one dared to touch. Lu Daojin met difficulties head-on. He announced the imposition of administrative disciplinary measures on those three who had habitually showed abominable behavior and who had repeatedly failed to correct themselves, but promoted two young persons who dared to uphold principles and shoulder responsibilities to leading posts of the workshop. Labor discipline of the entire plant quickly improved. Next, Lu Daojin and other assistant managers involved themselves in various production links, conducted quota check along with the teams and implemented the above quota piece rate wage system. Previously two persons operated one machine in the foamed plastic sheets production workshop and each team produced 40 sheets. Now, one person operates one machine and each team produces 80 sheets.

To increase the quality of products and lower production cost, Lu Daojin together with everyone have established and perfected the team and group accounting and achieved tangible results.

## ECONOMIC MANAGEMENT

### MISMANAGEMENT CAUSES LOSS IN STATE WEALTH

Beijing GONGREN RIBAO in Chinese 10 Feb 83 p 1

[Letter to the Editor by Wei Yingde [7614 4481 1795], Column on "Voices":  
"Refined Sugar Goes to Waste in the Open Air, Workers Are Deeply Angered"]

[Text] Comrade Editor:

The Huangyangzhen Sugar Refinery in Gansu is a large plant which handles an average of 1,000 metric tons of beet every day. As a result of the implementation of the rural economic policy, the growth of beet in Gansu last year was favorable with high output and high sugar content so that the situation for production at the plant was very heartening. Last October, the first month during which the equipment became operational, a good beginning was made and the highest beet production level was reached since the plant was built. GANSU RIBAO and the Gansu Television Station reported on this with video recording. However, this year of high output has also brought disaster. The refined sugar produced by the plant cannot leave the plant. The storehouses have been filled and soon the grounds of the plant will also be filled, showing a strange phenomenon of having several thousand metric tons of high quality refined sugar valued at almost 10 million yuan going to waste in the open air. Snow has covered the sugar piles and they have undergone the fourth snowfall.

In the next snowfall some of the refined sugar will agglomerate and change quality. When high quality sugar becomes substandard product, how much losses will be incurred for the state? For over 2 months the plant has hired over 70 civilian workers and purchased 140 large tarpaulins, which together cost over 102,500 yuan, to pile the sugar. Moreover, looting continues and the losses of refined sugar is serious.

To resolve the problem of the refined sugar leaving the plant, the Huangyangzhen Sugar Refinery had reported to and sought instructions from the province and prefecture on more than 10 occasions, but so far the problem has not been resolved. Comrade Editor, the workers want me to inform you of this situation. At present, the plant produces an average of 140 metric tons of refined sugar every day. When you receive this letter, almost another 1,000 tons of it will be piled in the open air and subject

to all weather conditions.... (Editor's note: the result of our verification with the plant by telephone is that up to the beginning of this month already 8,000 metric tons of refined sugar have been piled in the open air.) Do you not feel hurt by watching the loss of up to 10 million yuan in state wealth? Help us to shout aloud and rescue the sugar without delay!

Wei Yingde, Huangyangzhen Sugar Refinery, Gansu Province

[Editor's note] After we received Comrade Wei Yingde's letter, three times we inquired at the concerned departments about the real cause of the above problem. The Gansu Economic Commission replied that it has been a problem of price. Production units demanded that the refined sugar be sold at the price set by the province (but since this is a newly constructed plant, in order to enable it to speedily repay its entire loan and develop production, the province has stipulated that the producer price of the refined sugar be slightly higher than that from other provinces). As beet is having a good harvest and the sugar refinery has greatly increased its production, commerce departments in accordance with the demands of the province to reduce commercial losses have persisted in refusing to accept refined sugar whose price is higher than that from other provinces. The refinery cannot sell its sugar to other provinces as it does not accord with the stipulation against provinces short on sugar to transfer sugar out to other provinces. This gave rise to the matter.

This incident of wrangling has been dragging on for three months. Just as it is pointed out in the letter from our reader, the result is that it has caused the state to increase an unbeneficial expense of over 100,000 yuan! The Gansu Economic Commission has recently indicated that it intends to deal with the problem of overstocked refined sugar by purchasing it at the price proposed by the commerce departments. Whether this can completely resolve the problem depends on further implementation by the concerned departments.

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CSO: 4006/478

## ECONOMIC MANAGEMENT

### HAIZHOU MINE UNDERTAKES TRANSPROVINCIAL ENGINEERING CONTRACTS

Shenyang LIAONING RIBAO in Chinese 21 Mar 83 p 1

[Article by Staff Reporters Jing Li [2529 0448], Hua Bo [5478 0590] and Hong Cai [3163 2088]: "Make Use of Old Mines, Help Construct New Mines; Haizhou Opencut Coalmine Undertakes Transprovincial Contracts"]

[Text] The Haizhou Opencut Coalmine of Fuxin undertakes transprovincial contracts on coalmine engineering projects and provides technical forces for the state in large-scale development and expansion of large opencut coalmines.

The Haizhou Opencut Coalmine of Fuxin has a 30-year history of production. It is relatively strong in technical forces and has accumulated many technical talents who work in production construction of opencut coalmines. At present, China has newly constructed and rebuilt a group of large opencut coalmines which have an urgent need for qualified technical personnel. The Haizhou mine has transferred 30 engineers and technical workers and formed a construction contingent of over 140 people who are predominantly unemployed youths to undertake contracting for engineering projects across mines, bureaus and provinces. Besides paying for the wages of the unemployed youths, technical cadres and workers and for engineering expenses out of the income from contracts, it also hands over part of the profit to the Haizhou mine.

The founding of this engineering team has been welcome by contract units. The Pingzhuangxi opencut mine in the Inner Mongolian Autonomous Region did not have the ability to design production and urgently needed transformation by electrified railway transportation. Because it did not have the technical forces the 32 electric locomotives introduced from elsewhere could not be used. Haizhou Opencut Coalmine negotiated with them on a contract by its engineering team to complete the task of transformation from design to construction ranging all the way to opening the line to transport service. By the end of last year, just over a year after the contract was signed, 11 electric locomotives were in operation and for the first time in over a decade the mine was able to complete its production tasks. By the end of this year the entire line will be open to traffic. At present, some bureaus and mines are in contact with this engineering team on contracting for engineering projects.

## ECONOMIC MANAGEMENT

### TECHNICAL PROGRESS STRESSED IN YUNNAN'S SHORT-TERM ECONOMIC PROGRAMS

Kunming YUNNAN RIBAO in Chinese 22 Mar 83 p 1

[Article by Staff Reporters Rui Lin [3843 7792] and Yin Yu [5593 0056]:  
"Provincewide Industrial and Communications Technical Work Conference  
Proposes Short-Term Tentative Ideas and Programs; Introduce and Popularize  
60 New Types of Techniques and Technology, Develop 3,000 New Products and  
9,000 New Specifications"]

[Text] The provincial economic commission recently convened the province-wide industrial and communications technical work conference which discussed and drew up the 1983 program of new, key techniques to be popularized in Yunnan's industrial and communications system; the program of focusing on developing new products; the program for creating high quality products rated by the state and departments; the provisional regulations on appraising, selecting and awarding high quality and outstanding products in Yunnan; and the management methods for the supervision of product quality in Yunnan. Based on actual conditions in Yunnan it also proposed tentative ideas and short-term programs for realizing technical progress in industrial and communications production.

According to the program, from 1983 to 1985, the whole province will introduce and popularize 60 major types of new techniques and technology which will mainly be used to conserve energy, give play to the favorable conditions of Yunnan's resources, and increase the quality of products. It will develop 3,000 new products and 9,000 new specifications, colors and designs, strive to speedily develop a group of advanced products of the levels of economically developed countries in the late seventies and early eighties, vigorously develop durable and daily consumer goods and develop energy conserving products, products with the advantage of raw materials and in-depth processing. In 1983 the preliminary program will create 14 state-rated high quality products, 70 department-rated high quality products, improve the appraisal and selection of province-rated high quality products, and on the basis of continually increasing product quality, annually appraise and select a group of high quality and outstanding products which meets domestic advanced levels or which are characteristic of local areas and minority nationalities in Yunnan.



In order to fulfill the task of making technological progress, the conference studied and proposed the following measures: correct the guiding ideology and put science and technology truly in an advance position; implement various economic policies and promote technological progress in enterprises; persist in the guiding principle of quality comes first and in putting product variety and quality in the first place of production; do our best in technological transformation and updating equipment with planning and emphasis; strengthen the leadership of scientific research work; and stress technical training in a down-to-earth manner.

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CSO: 4006/478

## ECONOMIC MANAGEMENT

### AVOID A SINGULAR STANDARD IN CONDUCTING ECONOMIC REFORM

Beijing GUANGMING RIBAO in Chinese 2 May 83 p 3

[Article by Li Xiutan [2621 4423 3389]: "Reform Must Proceed from Reality; a Singular Standard Must Be Avoided"]

[Text] At present, all fronts, all departments and units have been conducting reform. Generally speaking, the situation is good, and the reform has been achieving remarkable success. What has to be paid attention to now is that the leadership at all levels must keep cool heads while faced with this good situation. Furthermore, they must proceed from actual conditions and arbitrary uniformity must be avoided.

The objective world is a complex entity of the unity of contradictions. Each thing in the world contains contradictions peculiar to it and is distinct in nature from other things. Determining and solving different contradictions with different methods based on an analysis of the peculiar characteristics of the contradictions in things is a principle that must be observed strictly by Marxist-Leninists. The work of reform must also proceed in the same fashion. Since the 3rd Plenum of the 11th CPC Central Committee, the Party Central Committee has introduced step-by-step, theories, guiding principles and policies for reform, and has brought to light some general laws concerning reform. However, the Party Central Committee did not, nor could it have, made a perfect, exhaustive explanation of the specific peculiarities of all fronts, regions, departments and units. This requires that during the process of conducting reforms, the individual regions, departments and units must proceed from their own objective realities engage in in-depth analyses of their own specific conditions; and unite the general with the specific and unite general laws with the realities of objective targets, thereby making concrete the theories, guiding principles and policies of the reform.

While conducting reform in all spheres, departments and units, the guiding principles and policies of the Party Central Committee must be thoroughly implemented. This is a basic premise. But regarding each sphere, department and unit in concrete terms, the situation is highly complex because of different peculiarities and contradictions. Take for example the differing peculiarities of material and intellectual production. Although economic results have to be considered when reforming the branches of

intellectual production, the products of these branches can never be divorced from our own intellectual objectives and be blindly commercialized. The producers of these products can never become like merchants. The first thing that should be considered in the reform of branches of intellectual production is that which is beneficial to the construction of a socialist spiritual civilization, that which is good for the development of science, culture and education, and that which can help lead to getting results and increasing qualified personnel. If we do not proceed from the reality of the branches of intellectual production; if a singular standard is insisted on; and if the methods used in branches of material production are completely copied and blindly applied by the branches of intellectual production, it certainly won't do at all. There are even differences among the different areas within the fronts of (the branches of) material production. For example, compared with agriculture, the situation in industry is more complex. Industrial production is socialized to a high degree, and uses an assembly line method which involves multiple alternating processes. Industry requires good organization and a broad coordination, and a strict method of accounting and statistics and supervision; links such as production, supply, marketing, energy, raw materials and transportation must check and balance each other. Therefore, reform in industry cannot be done behind closed doors. It must also be stressed that since the main part of the industrial front consists of state-run enterprises, the principle of relying mainly on a planned economy must be upheld when reforming the methods of enterprise management. The accumulation provided by industry is more than 80 percent of the state's revenue, and plays a decisive role. If the all-round contract system being used in agriculture in which "what is left over after the state and the collective have been given their share all goes to the individual peasant household were simplistically and mechanistically applied to state-run industries owned by the whole people, it clearly would not do. Even within industrial enterprises, the situation varies greatly, and a single model or standard cannot be used. Different methods that suit local conditions and actual situation ought to be used in large key enterprises, in ordinary small and medium-sized enterprises, in enterprises that make large profits, and in those which make small profits, in processing industries and in extraction industries. Varied forms of work and reform must be used in all these different types of enterprises. It also must be noted that China is a country with vast territory, and that there are great differences between the various regions which are at differing levels of development. One form of management or one economic form which is superior in a given region because it is suited to the productive forces, and the political, ideological, cultural and other conditions of that region will not necessarily be superior in another region where the productive forces, and the political, ideological, cultural and other conditions are different. In light of the existence of the above-mentioned complex factors, in-depth investigation must be done on the problems of each department, region and unit while conducting reform. The environment that gives rise to a given phenomenon, its peculiar conditions for existence, its relationship with surrounding phenomena, and its trends of development must be studied. A great effort must be made to use dialectical materialism to discover laws governing things, and then to painstakingly guide them so that reform can proceed step by step in a planned way. Isolated, static, one-sided,

superficial methods must absolutely not be used. Blindly rushing to imitate others and applying a single standard regardless of whether the conditions are appropriate and the time right in one's own unit must be strictly avoided. Otherwise, a lot of setbacks and confusions are inevitable, which will give reform a bad name.

Reform is a great issue which touches on the basic interests of hundreds of millions of the masses of the people. Reform means destroying the old and creating the new. What we need to destroy include not only the ineffective and wrong measures of the past, but also the measures people adopted that were at one time effective, but now out-of-date and unsuitable. What we must create are all new ways of doing things in which we have had no prior experience, and for which there is no ready-made blue-print to go by. Precisely because of this, the current reform will have a much greater effect on people's thinking than the process of setting things right during the last few years. People's understanding of the reform cannot develop in a straight line. Instead, it develops in a curved, spiral process. This is due to their different professions; different experiences in society; different levels of political consciousness; and different approaches to problems. Besides, each person's cognitive ability is restricted by the degree of development and manifestation of objective objects, phenomena and processes; the achieved levels of practice; and interests, conventions and habits and differing levels of knowledge and scientific and technological conditions. Speaking in terms of proceeding from actual conditions, this is also an objective reality. We must respect this objective reality and accurately reflect it. Back in the days of the War of Resistance Against Japan, Comrade Mao Zedong said, "The experience of 24 years tells us that a style of work, policy or task that is correct will meet the needs of the masses of that particular time and place, and are related to the masses. Tasks, policies and styles of work that are mistaken do not meet the needs of the masses of that time and place, and are divorced from the masses." (On the Coalition Government). Our work in reform must, by the same token, give free rein to this style of work which "meets the needs of the masses of that time and place." By all means, we must not act with undue haste and demand an excessively fast pace. Even less, should we rely on issuing administrative orders to get things done and create the atmosphere of a political movement with everyone charging all around at once.

The Party Central Committee has already provided us with an extremely successful experience in agricultural reform. At the beginning, quite a few comrades could not understand the agricultural reform, and were full of doubts as to the nature of the system of contracted responsibilities with payment linked to output, and there was much discussion as to whether it was socialist or capitalist. After several years of education in practice, more and more comrades changed their minds and consciously joined the ranks of reform. It took 5 years for reform in agriculture to develop from not linking remuneration to output to linking remuneration to output, from fixing farm output quotas for each work-group to each able-bodied laborer, and to each household, and from fixing quotas to assigning tasks. We have to seriously learn from the valuable experiences we have had in promoting the

new system of responsibility in agriculture. We have to recognize that large-scale reform is a brand new undertaking, and that we still lack sufficient experience. In conducting reform, we must definitely take into consideration that there is a process involved in people's, and that we must proceed from the level of thinking and understanding of the vast majority of the people. We must fully rely on the broad masses of the people and the vast numbers of cadres, and let them freely experiment, explore and create through practice. We must never again do what we did in the past and bring on real disaster by stupidly applying a single standard to everything and simplistically relying on issuing administrative orders without regard for specific conditions in order to gain an undeserved reputation.

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## ECONOMIC MANAGEMENT

### PROGRESS REPORTED IN ECONOMIC COOPERATION IN YUNNAN

Kunming YUNNAN RIBAO in Chinese 28 Mar 83 p 1

[Article by Staff Reporter: "Learn Advanced Technology, Promote Economic Development; Yunnan Launches Economic and Technical Cooperation with 18 Provinces, Municipalities and Autonomous Regions"]

[Text] In the past 3 years Yunnan has adopted flexible and diverse forms, launched economic and technical cooperation with 18 provinces, municipalities and autonomous regions one after another and promoted the development of our economic and cultural undertakings.

In order to change the face of backwardness rapidly and promote the four modernizations, our province established the Office of Economic Cooperation in June 1980 to build closer ties with fraternal provinces, municipalities and autonomous regions. By the end of 1981, 16 departments in light and textile, chemical and construction industries, metallurgy, commerce, and science, education and health, and over 100 units of enterprises from 15 prefectures, autonomous prefectures and municipalities participated in cooperation throughout the province. At the same time, the province had signed 212 projects of economic and technical cooperation with 7 provinces and municipalities including Shanghai, Tianjin, Sichuan, Jiangsu, Zhejiang, Hebei and Beijing. In mid-May last year, under the initiation of the State Planning Commission and Nationalities Affairs Commission, our province hosted a conference on economic and technical cooperation which was attended by concerned comrades and specialists from 11 ministries, commissions and bureaus as well as 18 fraternal provinces, municipalities and autonomous regions including Inner Mongolia, Jilin, Anhui, Fujian, Henan, Hubei, Guangdong, Guangxi, Guizhou, Qinghai and Ningxia. At the conference, agreements on 109 projects of technical cooperation and 35 projects of intentional economic integration were reached, enabling economic and technical cooperation in our province to expand from industrial departments in the past to agriculture, forestry, livestock breeding and sideline production and other trades, from state-owned enterprises to urban and rural collective enterprises, from short-term cooperation to long-term cooperation and from unilateral cooperation to multilateral economic integration.

For three years our province has obtained initial results in launching economic and technical cooperation mainly in six areas:

(1) Reducing cost for enterprises, making up deficits and increasing surpluses. According to incomplete statistics, of the enterprises which participated in cooperation last year, seven increased their profits by over one million yuan, five by more than 500,000 yuan and six by more than 100,000 yuan.

(2) Increasing the quality of products and expanding markets. In 1981 most of the 10 cooperative enterprises in the textile system in our province increased their product quality by more than 20 percent and some by 50 percent, and their acceptability rate was all above 90 percent. There was a tangible increase in the quality of automobile tires, light bulbs, aluminum goods, leather goods, sanitation ceramics and other products. Sales revenue last year also increased as compared with the previous year.

(3) Increase in new varieties, colors and designs, speeding up the upgrading and updating of products. Light industrial departments alone had an increase of 38 new varieties and 195 new colors and designs. The textile system added 20 new varieties, 70 colors and designs and successfully trial-manufactured over 10 new products.

(4) Training a large group of scientific and technical personnel. The fraternal provinces, municipalities and autonomous regions have sent a total of 82 groups consisting of 538 key technicians and management personnel to the cooperative enterprises to teach production techniques and management experience, to assist and teach in frontier minority nationality areas and have trained a group of core professional technicians among national minorities. All fraternal provinces, municipalities and autonomous regions have also received 1,171 persons from our province sent to observe and study. Shanghai and other provinces and municipalities have trained 673 college and middle school teachers and medical personnel in our frontier minority nationality areas. Shanghai's institutions of higher learning have expanded their enrollment for 116 students from our province outside the plan, supplementing our deficiency in some subjects.

(5) Assembling construction funds. Last year alone, our province together with the fraternal provinces, municipalities and autonomous regions reached an agreement with concerned departments of the State Council on 35 joint projects which were able to raise roughly more than 150 million yuan and were able to satisfy the needs of some of the raw materials of concerned provinces, municipalities and autonomous regions.

(6) Carrying out material cooperation, each making up the other's deficiency from one's own surpluses. In the last three years, the total value of the flow of goods and materials in and out of the province involving cooperation has amounted to 116 million yuan.

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## ECONOMIC MANAGEMENT

### IMPLEMENTATION OF CONTRACT RESPONSIBILITY SYSTEM DISCUSSED

Harbin HEILONGJIANG RIBAO in Chinese 22 Mar 83 p 2

[Article by He Yingkai [0149 5391 0418]: "How Should Commune and Brigade Enterprises Implement the Economic Contract Responsibility System?"]

[Editor's note] Many readers have recently written to us wishing that we will describe the experience of how commune and brigade enterprises should implement the system of contracted responsibilities. Since last year the Dujia Commune in Wuchang County has suited measures to local conditions and implemented diverse forms of the economic responsibility system. Its enterprises have become increasingly prosperous and there have been tangible increase in economic results. Last year the output value and profit of its commune and brigade enterprises rose by 23.3 and 16.6 percent respectively from 1981. None of the commune-run enterprises had any deficit, each 100 yuan in output value yielded 10.60 yuan and the profit rate was higher than any other year. This year they have mobilized the masses to sum up experience and have further perfected the responsibility system on the basis of the past.

We will describe the experience of their implementation of the economic contract responsibility system as reference for all localities:

[Text] Several Forms of the Contract Responsibility System

(1) The enterprise-run economic contract responsibility system. Based on the output, output value, profit and other target plans assigned by the state, the commune formulates its own target plan and contracts them out to the heads of commune enterprises and the leaders in charge of commune and brigade enterprises. Those who complete their tasks receive task-completion awards and those who do not are penalized by deducting a specific proportion of their basic wages. Those who complete the tasks and overfulfill their quotas will receive quota-overfulfillment awards according to items.

(2) The system of overall leadership by the factory director (or manager). This means that in accordance with various assigned target plans and according to the production levels and actual conditions of subordinated enterprises, various economic targets are contracted to the leaders of enterprises. Those who complete the plan receive task-completion awards and those who do not complete the plan are penalized by deducting a specific proportion of

their basic wages. Profit from the overfulfilled portion, less income tax, is shared according to specific proportions by the enterprises and leaders of enterprises. The proportions are determined according to the different conditions of enterprises.

(3) The economic responsibility system with specialized contracts linking output quotas to remuneration. According to the economic projects, labor, technical conditions and other actual conditions and according to the special skills of laborers, enterprises organize specialized teams, determine specialized workers, contract economic projects to them and compute remuneration on the basis of output. Those who overfulfill their quotas are rewarded and those who underfulfill are penalized. This form has been adopted by commune-run farms and engineering teams.

(4) The economic responsibility system with rewards for fixed output quotas. All workshop teams and groups must fix their personnel, tasks, consumption, output quantity and remuneration. Those who complete all their target plans are given plan-completion awards and those who do not are penalized by deducting a specific proportion of their basic wages. For the overfulfilled portion, quota-overfulfillment awards are given according to specified targets and to each item. Wine-making and oil-making workshops of the commune-run farms have implemented this form of the economic responsibility system.

(5) The piece rate wage system. Under the prerequisite of guaranteeing the quantity of products, remuneration is determined by the producer's output quantity. This form of the responsibility system has been implemented by the commune-run embroidery plant, quarry and the brickyard's brick-manufacturing workshop.

(6) The contract responsibility system based on profit. Plants, workshops, teams and groups and individuals contract expenses and profit to be turned over to the higher authorities. After profit is turned over to the higher authorities and expenses and taxes are deducted, what remains is the workers' wages. The more that is left over the more earning is made. The commune-run comprehensive service department's watch repair, bedding and clothing, photographic and supplies stations, restaurants as well as some brigade-run enterprises have adopted this form.

(7) The economic responsibility system with sharing of profit from overfulfilled output. After completing the specified amount of net profit to be turned over to the higher authorities, basic wages are issued to plants, workshops, teams and groups and individuals. Profit from the overfulfilled portion, less income tax, is shared according to specified proportions. If the amount of profit to be turned over to the higher authorities is not met, a specific proportion is deducted from the basic wages for the profit-sharing personnel stipulated in the contract, or wages are used to make up the amount. Benchwork groups, machinery repair groups, bottle-capping workshops and other units of the commune-run sand quarry, electronic instrument plant and farm implement plant have implemented this form of responsibility system.

## The Handling of Some Important Questions in Contracts

- (1) How should we handle staff and workers' welfare benefits or work-related injuries after the economic contract responsibility system is implemented by enterprises? This question should be considered when the contract responsibility system is formulated. It should be discussed and studied by the masses and provided for explicitly. Generally for those who carry out the contract responsibility system based on profit, expenses for welfare benefits and work-related injuries have all been included in the contract so that enterprises are not further responsible. For those who carry out the form of rewards for fixed output quotas and those who have basic wages, enterprises should draw welfare funds according to stipulations and use it for staff and workers' welfare benefits and ordinary work-related injuries. As for work-related disability and deaths of staff and workers, regardless of the form of responsibility system involved, it is generally appropriate for enterprises to be responsible.
- (2) What should we do when sometimes workers are without work as when the production, supply and sales of enterprises are abnormal? If an enterprise must halt production because of objective causes that cannot be resolved, staff and workers are permitted to seek their own means of living. During this period of time, those who are willing to be kept on their factory registry should guarantee to hand over to the enterprise a specific amount of accumulation. For staff and workers who work on their own outside even when there is work in the enterprise, the enterprise can stipulate that during the period they must turn over a certain amount of accumulation. As for those workers who refuse to pay, the enterprise can announce their voluntary withdrawal from the factory and report it to the commune enterprise for the record.
- (3) What should we do if an enterprise has a weak economic foundation and a large debt and no one accepts any contract? This kind of problems must be handled according to actual circumstances. If the products of an enterprise do not cater to the market demand and it cannot switch production, it can close down or merge with others. If the enterprise is not well-managed, we can select and use people with ability and determine contract targets on the basis of the profit and loss of the year in question, leaving its former outside debt and other problems for the commune to handle.
- (4) What should we do if one cannot continue a contract because of special circumstances during the contract period? If one needs to leave the factory for a relatively long period of time because of illness or some other reasons, the contractor should on one's own initiative declare it to the leaders concerned so that the enterprise and contractor together can arrange for others to continue the contract. The original contractor must turn over all the profit according to stipulations and the rest should be the responsibility of the succeeding contractor. If the contract is not honored for no reasons, losses must be repaid according to the contract stipulations. If necessary, this can be handled in accordance with the state economic contract law.

(5) What should we do with staff and workers who are poor in health and technical skills whom no one wishes to share a contract with? If such circumstances arise, leaders of enterprises must do their best in the ideological and political work of staff and workers and teach them to carry forward the spirit of unity and cooperation. At the same time, enterprises should do their best to arrange to contract production projects that are within the ability of these staff and workers so that they may have work and income.

(6) What should we do if some staff and workers who have some technical skills are unwilling to share contracts with other staff and workers in the enterprise? Leaders of enterprises should do their best in the ideological work of these staff and workers, teach them to train apprentices, speed up and raise the technical level of the broad masses of staff and workers. If these staff and workers truly make significant contributions, they should be given more favorable remuneration in order to mobilize them to share contracts with other staff and workers and develop enthusiasm that can contribute more to the enterprise.

(7) What should we do if contractors of workshops and teams and groups cannot make a breakthrough after they begin their contract and affect the production enthusiasm of other staff and workers? If indeed they cannot make a breakthrough because of their poor ability, they can be disqualified for contract, with compensation for the losses as specified by the contract, after it is discussed by the masses and approved by the higher authorities. For those who neglect their duties and cause serious consequences, besides disqualifying them for contract and investigating and affixing their economic responsibility, their legal responsibility should also be investigated and affixed.

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## ECONOMIC MANAGEMENT

### MEASURES FOR STRENGTHENING COST CONTROL STUDIED

Beijing KUALJI YANJIU [ACCOUNTING RESEARCH] in Chinese No 2, 30 Apr 83  
pp 36-39

[Article by He Yinghua [0149 2019 5478]: "An Important Measure for Strengthening Cost Control; Three Enterprises from the Textile Industry System Nationwide Begin Test Implementation of Ministry Issued Quota Costs"]

[Text] Last year the Textile Industry Ministry decided that beginning in 1983 the three important industries of cotton textiles, dyeing and woolen textiles would use nationwide quota costs to measure cost levels of enterprises and regions. This is a measure to strengthen cost control and has an important function in exploiting potential, lowering costs, launching a movement to emulate, learn from, catch up with, help, and in turn surpass each other, rationally balance the economic interests of the enterprise, and do a better job of economic accounting.

The idea of the textile system using the quota cost to measure enterprise cost levels gradually took shape in the practice of implementing economic responsibility systems, comprehensively readjusting enterprises and upgrading economic results since the 3d Plenary Session of the 11th Central Committee. Everyone felt that correctly measuring the economic interests of modern industrial enterprises was a very important and complex question. In terms of cost quotas, comparable product cost norms which have been used for a long time are much superior for comparing costs levels between 2 years for the same unit and for large-scale data collection, but in textile industry cost assessment, several types of defects have become increasingly apparent in this method.

1. It cannot truly reflect the actual achievements of an enterprise in lowering costs. Cost bases between enterprises are different: with the expenditure of the same effort, it is easy for enterprises with high costs to lower them, but it is not easy for enterprises with low costs to lower them and in comparison and assessment it is generally easy to discriminate between backward and advanced enterprises.

2. Demanding that costs be lowered every year does not conform to the laws of textile production. For example, to produce 1 ton of cotton yarn, it

always takes a little more than a ton of fiber, and if it comes to a critical point, even a further reduction of 0.1 percent will not do. Upper echelons demand every year that costs be lowered, and enterprises can only place their hopes on increasing earnings 1 year over several to cope with the upper echelons.

3. Changes between 2 years due to prices for raw materials, level of expenditures and accounting methods often produce many objective advantageous or disadvantageous factors. For this reason, overspending is frequently not really overspending and lowered costs are also not really lowered costs, and although they may be "discounted" they really cannot be achieving twice the results with half the effort, as a result there is the abnormal situation of not lowering costs in spite of the effort and lowering costs without any effort.

4. For several years there have been more and more new varieties of goods. Products which are new in the first year are old in the second; generally the first year's costs are high and the drop in the second year is large, thus the mission to lower costs is easy for all enterprises which produce many new products, but more difficult for enterprises which specialize in producing old goods. For enterprises with more new varieties of goods, comparable products may be a small proportion, and make up a very small proportion of the costs, so it is clearly not sufficiently comprehensive as a norm for measuring all the enterprises costs.

5. The relationship between costs and quality is very close and if it happens that the previous year's quality was poor, then this year it is appropriate to improve quality but by increasing use of materials and labor, costs will be excessive. Everybody pays lip service to "quality is the lifeline" but sometimes there is a problem of "preferring money to life" in completing cost and profit standards.

6. Since problems of dividing up and sharing expenses between costs of products which are comparable and costs of products which are not comparable and between costs of various comparable products can easily make cost figures inconsistent with the facts, selecting a product which can be compared across enterprises is an impossible task.

Some other defects can also be pointed out. In the final analysis it is "unscientific and unrealistic." Using these norms to assess an enterprise, of necessity will create the problems of whipping the fast ox, protecting the backward, and joys and sorrows not being equally shared. Financial inspection exposed the problems of large quantities of costs being computed inaccurately, confusion of boundaries of products which are comparable and those which are not, and individual units resorting to deception. Everyone feels deeply that as far as the textile industry is concerned, cost norms for comparable products have already reached the stage where they must be changed.

Enterprises where local quota cost assessment was implemented on a trial basis in Beijing, Tianjin, Shanghai, Henan, Jiangsu, and Zhejiang starting in 1979 achieved very good results. In March of last year, the Textile Industry Ministry's Finance Office convened a National Key Province, Municipality, and Autonomous Region Financial Work Forum which summarized the situation of the provinces and cities where local quota costs were carried out and the preliminary experience gained and decided to implement the quota cost system in the three important industries of cotton textiles, dyeing, and woolen textiles using ministry-issued quota costs to measure cost levels of enterprises and regions.

## II

Formulating national quota costs is a complex and detailed task. The Textile Industry Ministry leadership takes this work very seriously and the leadership of the Finance Bureau is taking charge of this work directly, and with the cooperation of the production, technological, labor and materials departments, from the data supplied by several hundred representative enterprises nationwide, through concrete collation, calculation and analysis finally formulated quota costs for over 10,000 products. Quota costs for the textile industry have the following characteristics:

1. The quotas were drawn up rationally. The key to formulating quota costs is in quota levels. Through computation, if quota costs were set at the level of actual costs in 1981 and most of the localities of the country were below the quota level, then the quota was divorced from actual circumstances, and might produce side-effects. If the quota was 4 percent higher than the actuality for 1981 and most localities could complete it, then it was clearly too backward. Finally, it was decided to place the quota at a level about 3 percent higher than 1981 and it appeared to be rather appropriate. For example, in the cotton textiles industry nearly half the provinces, municipalities, and autonomous regions could not complete the quota; the quota cost for the woolen textile industry was 3.18 percent higher than the 1981 actual: for the lowest locations it was 14.98 percent lower, and the highest overspent by 20.85 percent; the coarse woolen textiles industry quota cost was 2.74 percent above 1981 actual, the lowest locality was 11.38 percent below that, and the highest locality overspent by 15.87 percent.

2. Quota costs were coordinated with technological and economic norms. Quota cost is a comprehensive norm of technological and economic norms and expense quotas expressed in currency. Thus, quota costs must be closely integrated with technological and economic norms and expense quotas to form a complete, integrated norm system. To resolve this problem, the financial department linked up with the planning, production, technological and labor departments and carried out an examination and revision of technological and economic norms so that they would maintain an advanced rational level and provide help to shortage quotas. For example, the cotton-use quota for the cotton textile industry. The Textile Industry Ministry's Production Office has a national unified stipulation, but this was a cotton-use norm for



unified purchase and was not suited to the needs of formulating quota costs for ordering varieties of goods, thus in the process of formulating quota costs, using the Production Office cotton-use quota as a base, it was divided up into cotton-use quotas for specific products as a computational base for raw material quota costs.

Because use of high-count yarn was great and use of low-count yarn was low, in the past, some enterprises used the method of weaving more with low-count yarn and less with high-count yarn to achieve the cotton-use quota assigned by the ministry; now different varieties of goods have different quotas so this problem is avoided. Power costs are calculated according to ministry-issued standard item conversion electricity use method. For wage costs, the Textile Industry Ministry Labor Office has three labor-use quotas and uses the second, middle level; wage unit price is determined according to the actual levels of 123 representative factories in various localities throughout the country. Expenses are also calculated according to the method for calculating wage unit prices, and are determined according to the actual levels of 123 factories throughout the country. For organic materials, the quota costs are determined by calculating norms of expenses for 10,000 spindle-hours. Liquids and packaging materials among supplementary materials are formulated according to the different demands of sales and selection of different materials domestically and abroad. In addition to this, nationwide quota costs should cover several years, so when they are being formulated the factors which can change over several years can be considered, for example, with development of agricultural production the trend is for cotton grades to improve; in order to find work for more employees, wage quotas have a tendency to increase. These factors have already been appropriately considered in the quotas to avoid slight changes in the circumstances; the quotas should be revised along with them. The coordination of quota costs with technological and economic norms can base quota costs in the relevant function department promptly and avoid the disjointed situation of functional departments reporting "good news" in achievement of technological and economic norms while financial departments report "bad news" in achievement of cost norms.

3. The methods of formulating quota costs are varied. Because industry production technologies are different and the varieties of goods, specifications and quantities are different, formulating quota costs should also be adopted by different methods. For example, the production technologies for cotton yarn and cotton cloth are basically the same, the variety and specifications are very comparable. There are all together over 1,000 varieties of goods of cotton yarn from the coarsest 6-count to the finest 150-count, with the addition of different blend varieties and cotton cloth of different yarn counts, and specifications for different fabric structure, and this conditions the adoption of the varieties of goods method for formulating quota costs. In the varieties of goods method, checking and calculating is fairly convenient, analysis and comparison is fairly clear, and enterprises with the conditions should adopt it as far as possible.

However, the dyeing and woolen textile industries are different. The varieties of goods are numerous and very changeable so there is no way to formulate a cost quota before the fact for each variety, so the technology method and the assembly method are pretty suitable. The so-called technology method and assembly method are quota cost calculating methods for formulating a principle for raw materials costs. Worker expense quota costs determine the quota worker expense which should be borne by each process's processing volume by dividing production technology up into certain work processes. In the woolen textile industry, for example, processing technology is divided into the five aspects of spinning, weaving, dyeing, trimming and special demands, and separate quota costs are specified for different yarn counts, different density, and different dyes. The labor expense quota costs can be derived for the varieties in actual production according to technology separation quota cost calculation. In 1 year the woolen textile industry has over 10,000 varieties, and calculating quota costs according to the technology method and assembly method can "adapt to many changes by not changing" and calculate the quota cost at any time and place according to the design demands.

Seen from the actual situation in several provincial and municipal pilot projects at local quota cost assessment, quota costs have the following functions:

1. There is a unified gauge for measuring local and enterprise cost levels. National quota costs nearly manifest the volume of socially necessary labor to produce goods, and if all the provinces and municipalities and the several thousand textiles enterprises have a unified gauge for measuring cost levels, then they can find the discrepancies in costs and the potential to lower costs. For example, in the past we often said that if costs were lowered by 1 percent, it would mean so many hundred millions nationwide. Now we can further say that the greatest discrepancy between provinces and municipalities in cotton textile product costs is 18 percent, and the greatest gap in provinces and municipalities in woolen textile product costs is 35 percent; the gap in costs between enterprises within a locality is as high as 20-30 percent, and as low as 3 percent. We can also find the reasons for the gaps in costs, whether they be in price or quality of raw materials, or whether they be expense factors or unit production factors. In this way, there is an objective basis for determining enterprise cost levels and there is a clear direction for upper echelons in issuing cost norms and enterprises in formulating plans to lower costs.

Nationwide quota costs are not only a gauge for measuring enterprise cost levels, but also an important gauge for measuring enterprise economic results. Some enterprises on the surface seem to have costs lowered, and increases in profit levels, but if the cost levels are higher than the national quota at the same time that the achievements of the enterprise are confirmed, then it cannot be admitted that this is an advanced enterprise. In particular, under circumstances where price and value are at odds, the

relationship of profit and variety is the closest, some enterprises emphasize changing to high-profit varieties to improve economic results, and in individual enterprises there still appears "one good" (shifting varieties secures high profits) covering up "one hundred uglinesses" (quality drops, consumption increases, expenses increase), and enterprises implementing quota cost assessment have help resolving these problems.

2. There is a starting point for strengthening quota management and establishing economic responsibility systems. The pilot implementation of national quota costs by three important industries in the textile industry is an important measure in spurring on enterprises to strengthen quota management and establish economic responsibility systems throughout the country from top to bottom. Enterprises can take this opportunity to strengthen their unit's quota control system and quota management responsibility system, to make cost control everybody's responsibility and everyone bear the burden of lowering costs. Nationwide cost quotas and the mission to lower costs which was issued by the upper echelons are the goals for enterprise cost control, and having the goals beforehand will help spur on enterprises to change the situation of reflecting costs after the fact, and gain the initiative to control costs before the fact.

3. There is a rational basis for formulating commodity prices. Nationwide quota costs closely reflect the socially necessary labor and time to produce a product and measuring prices in force using this, the degree of deviation on a national scale between price and value can be discovered and this can be a reference for rationally readjusting prices from now on and is a basis for formulating the prices of new products.

### III

Although quota costs are much superior to comparable product costs, from now on there is still much work to be done.

1. Adopting an appropriate method of assessment. Among the several thousand textile enterprises nationwide there are great differences in the objective conditions of localities and enterprises, it is clearly irrational to use one gauge to measure the work results of enterprises nationally. From now on, the Textile Industry Ministry and departments in charge in provinces, municipalities, and autonomous regions can further issue a quota cost lowering rate norm for subordinate enterprises and individual localities can issue excess expenditure norms. In this way, the further promotion of advanced localities can be promoted and less advanced localities also will not lose confidence. Issuing quota cost lowering rate norms should both consider favorable and unfavorable macroeconomic factors as well as admit the differences due to subjective efforts of the enterprise. For example, regional price differences for raw materials and energy should be dropped from the assessment, but differences in expense costs due to the level of production per unit, should not. But conditions must be created and quota costs linked together with the portion of profit retained as quickly as

possible, because if they are disjoined for a long time, even to the point that costs are low and profit retention is also little, costs are high and profit retention is much, the enthusiasm of the cadres and the masses will not be long lasting. If through the practice of quota costs the situation of whipping the fast ox, protecting the backward, and not sharing joys and sorrows equally can be changed, its vitality will be much stronger.

2. After implementing national quota costs, the conditions will have been created for cost analysis between localities and between enterprises. Utilizing cost materials and developing cost analysis in an effort to lower costs will become a normal task of national scope for strengthening cost control between localities and between enterprises. As concerns the enterprises, it should be made clear that nationwide cost quotas cannot replace cost quotas for the enterprise, and should combine the enterprise's record levels and formulate advanced quota norms which conform to the actuality of the plant, and form a system well-grounded at each level, and develop cost analysis by level and department, not only comparing with nationwide quotas, but also comparing with the previous year, and with the enterprise's record levels, and should secure achievements better than record levels.

3. Strengthen foundation work to improve the accuracy of cost accounting. The cost accounting regulations formulated by the Textile Industry Ministry should be conscientiously implemented, and the "standardization" of cost accounting should be implemented to further improve the level of cost accounting. If the specifications of accounting of the several thousand enterprises nationwide are not unified, data will not be reliable, and there will be no way to analyze and compare costs nor will there be a way to carry out assessment.

Although we have preliminary experience with enterprises which have conducted pilot projects in local quota costs in several provinces and municipalities, this is still the first time that cost quotas have been implemented nationwide. Under the leadership of the Textile Industry Ministry and the provincial, municipal, and autonomous region departments in charge, and with the efforts of the textile accounting cadres, through practice, summary and improvement, we should make the pilot project work of quota costs achieve the anticipated results.

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CSO: 4006/567

## FINANCE AND BANKING

### GUANGMING RIBAO ON CONTROL OF CONSUMPTION FUND

HK051245 Beijing GUANGMING RIBAO in Chinese 24 Jul 83 p 3

[Article by Zhu Chuntai [1563 2504 0669] and Xiao Jie [5135 2212]: "Growth of Consumption Funds Also Should Be Appropriately Controlled"]

[Text] Abstract: The proportional relations between accumulation and consumption are the most basic and vital proportional relations in the national economy. The growth of consumption funds has been too fast, and regardless of whether it is judged from the distributed proportion of national income or from its contrasting relations with the raising of production and development as well as labor productivity, both are very difficult to sustain. At the same time, there must be an objective limit to the growth of consumption funds, and one must act according to one's ability. The "ability" referred to here includes the aspects of financial as well as material resources. For this reason, appropriate control of the growth of consumption funds should attract a high degree of importance. [End abstract]

The proportional relations between accumulation and consumption are the most basic and vital proportional relations in the national economy. "First, feed the people and second, build the country" is a basic principle guiding the correct handling of accumulation and consumption in our economic work. At present, because investment in fixed assets increased too suddenly in 1982, it is absolutely necessary to control the scale of investment in fixed assets and the growth of accumulation funds. However, while controlling the growth of accumulation funds, we must at the same time adopt necessary measures to appropriately control the growth of consumption funds, and this should also attract a high degree of importance. Because if control over the growth of consumption funds is lost, the stability of the market as well as prices will certainly be affected, the balancing of state financial revenue and expenditure will be affected, and this will be detrimental to the healthy development of the national economy as well as to the laying of a solid foundation for vitalizing the economy in the next 10 years.

For a long period in the past, because of the ideological influence of the "Left" in economic work, the accumulation rate was set too high, and the livelihood of the people could not be properly improved. Since the 3d Plenary Session of the 11th CPC Central Committee, for the sake of correcting the mistakes of the past, the party and the government have made great efforts and

adopted a series of measures, including greatly raising the purchase price for agricultural products, expanding labor employment in cities and towns, readjusting the wages of workers, and implementing a bonus system, which resulted in an obvious increase in the income of urban and rural people. Compared with 1978, the average net income of the peasants in 1982 increased by 136 yuan, or an increase of 102 percent; the average wage of the workers increased by 184 yuan, or an increase of 30 percent. There has been a marked improvement in the living standards of the masses.

We should see that the over-rapid growth of consumption funds in recent years has the nature of repaying an outstanding debt, and regardless of whether it is judged from the distributed proportion of national income or from its contrasting relations with the raising of production and development as well as labor productivity, both are very difficult to continue.

Judging from the distributed proportion of national income from 1979 to 1982, the peasants accounted for about 66.2 percent, the works of material production departments accounted for about 16.8 percent, and the enterprises accounted for about 23 percent in the newly increased distributable national income, but state financial income not only did not increase, but was actually reduced by 7 billion yuan. The change in the distributed proportion of the newly increased national income has caused the ratio occupied by state financial revenue in the national economy to drop from 31.9 percent in 1979 to 25.5 percent in 1982. After deducting normal expenses for culture and education, scientific research, administration and national defense, there was not much left to do anything worthwhile. This is not only detrimental to the carrying out of key projects urgently needed by the state, but also detrimental to improving the living standards of the people in the long term.

Judging from the contrasting relations between the growth of consumption funds and the raising of production and development as well as labor productivity, compared with 1978, the average net income of each peasant in 1982 increased by 100 percent, and the average wage of each worker increased by 30 percent. In addition to the increase in employment, the total wages of workers increased by 53.1 percent. For the same period, the total output value of agriculture increased by 33.4 percent, the total output value of industry increased by 32.2 percent, and the overall labor productivity of industrial enterprises increased by 9 percent. This means that the increase in the income of peasants and workers has far exceeded the development of industrial and agricultural production as well as the increase in labor productivity. In recent years, because of repaying the outstanding accounts of the past, the increase in consumption is also necessarily greater. The problem is, a considerable portion of it, such as pushing down the base figure in the purchase of farm products or expanding the negotiated price range, and the indiscriminate handing out of bonuses or subsidies by enterprises in cities and towns, is blind growth outside the state plan. It is hard to sustain and must also be corrected.

Generally speaking, the living standards of our people are still rather low. In the countryside, there are still some low-yield and disaster areas where the peasants are still rather poor. Among the people living in cities and towns, there are still numerous problems in the way of wages, employment, housing and



public utilities which must be solved. The living and working conditions of middle-aged intellectuals, and workers playing a hardcore role in various work, must also be further improved. When we say that the growth of consumption funds should be appropriately controlled, we do not mean to say that consumption funds should no longer grow or the living standards of the people should no longer be improved. China is a socialist country, and the basic goal of production and construction is for the sake of basically solving the daily increasing material, as well as cultural, needs of the people. This is the basic socialist economic law we must observe at all times. At the same time, we must also see that the growth of consumption funds, like the growth of accumulation funds, is conditioned by objective economic conditions, and both have an objective limit. We must act according to our ability and cannot do as we please. The "ability" referred to here includes the aspects of financial as well as material resources.

With respect to financial resources, Marx in "Critique of the Gotha Program" pointed out that when total social product is distributed according to the work of the laborers, apart from covering the replacement of the means of production used up, various kinds of necessary deduction must still be made from the remaining portion (or national income). These include: Funds for the expansion of reproduction; reserve or contingency funds; the general costs of administration; funds for the common satisfaction of needs, such as schools, health services, etc; and funds for those who are unable to work. Only after making the necessary deductions mentioned above can the portion of surplus total social product constitute individual consumption funds. Moreover, most of these deductions are carried out by means of the distribution and redistribution of the state financial budget, and this is indispensable to the development of state economic construction as well as social undertakings. In recent years, in the distribution of national income, the portion of individual consumption has been obtained under the condition of reducing the financial revenue of the state, and this is economically irrational. Therefore, this method can only be carried within a specific and relatively short period, and should not and also cannot be permanently continued. As we cannot push aside the normal consumption of the people to expand accumulation, we also cannot push aside or take up essential construction funds to increase daily consumption. Just as Comrade Chen Yun said, if we eat and use up everything, there will be no hope for this country.

With respect to material resources, the increase of consumption funds should correspond with the growth of production of the means of consumption in order to guarantee that the masses will be able to buy the consumer goods they need after the increase in income. Otherwise, the increase of consumption funds will lose its material base. Generally speaking, the growth of production of the means of consumption should be higher than the growth of consumption funds. In this way, we not only can increase essential turnover as well as reserve, but we can also offer the masses a choice in the purchase of consumer goods. In recent years, the growth of consumption funds has been too fast, the production of consumer goods cannot satisfy the rapidly growing demand of purchasing power, and the purchasing power of cash surplus is daily increasing. Regardless of whether in quantity or quality, the masses are making a higher demand on consumer goods. This plays a powerful role in promoting the production and development of consumer goods. However, in readjusting the production



ratio of light and heavy industries and expanding the production of marketable consumer goods, apart from our own subjective efforts, we must still be conditioned for a period at present and in the future by such objective conditions as raw material supply, energy and communications, and production capacity. There will be no distinct change in the tense situation of raw material and energy supply within a short time. The contradiction of disharmony between the growth of communication and transportation capacity and freight volume will continue to exist. Although the production of consumer goods is progressively expanding as a result of the implementation of the policy of readjusting, a process is required for readjusting the irrational production structure formed over a long period of time. The transformation of obsolete equipment and backward technology in enterprises also cannot be accomplished in a single step. All these are conditioning the development of the production of consumer goods. It will be impossible to improve living standards if we deviate from the development of production. Basically speaking, the reason we suggest appropriately controlling the growth of consumption funds and concentrating necessary capital for the building of key projects urgently needed by the state, is precisely for the sake of guaranteeing that the production of consumer goods will continue to develop faster, so that the living standards of the people will continue to improve on the existing basis.

With respect to the individual, people invariably not only hope for faster growth in income but also stability in prices. This kind of desire is understandable. However, if the growth of income exceeds the increase of production development and labor productivity, this kind of desire will fall through. Because if the growth of purchasing power is faster than the supply of materials, prices will rise. This is an objective law independent of man's will. Some of the comrades perhaps think that there is nothing extraordinary about a peasant getting 20 to 30 yuan more a year from the increased purchase price and expanded negotiated price, or for a worker to get 20 to 30 yuan more a year from bonuses. In fact, they do not know that the newly increased national income of our country in recent years has been only about 20 to 30 billion yuan a year. Based on a population of one billion people, this works out to only about 20 to 30 yuan per capita, and expanding production and construction as well as improving the living standards of the people can only be done within this framework. If all the peasants and workers get 20 to 30 more a year, the newly increased national income will be used up, and what can we use for construction? This is not a minor matter. Some of the comrades may also perhaps wonder when, by proceeding at such a slow rate, can we become comparatively well-off? As a matter of fact, as long as we resolutely implement the policy "First, feed the people, and second, build the country," and gradually improve the living standards of the people on the basis of the development of production, we will, like a small tree--"one does not see its growth, but it grows day by day"--develop into a tall tree in just a few years, and what appeared to be a slow growth is actually quite fast. On the other hand, if we try to help the growth of the tree by pulling it upward or making an impetuous advance, haste will lead to waste, and instead of going faster we will actually go slower. Has this point not been repeatedly borne out by experience in the past 30 and more years?

How to control the growth of consumption funds? First of all, there must be unified understanding. Without unity of understanding, no measure can be easily

implemented, and may even lose its shape in the course of implementation. As for the measures that should be taken, Comrade Hu Yaobang, in his report to the 12th CPC National Congress, and Comrade Zhao Ziyang, in his government work report at the first session of the Sixth NPC, have put forward the orientation as well as principles. At present and in the future, we must mainly implement them gradually on the basis of unified planning and overall arrangements. They mainly consist of: 1) Strictly control the purchasing power of mass organizations, and firmly put a stop to extravagance and waste. All administrative and management departments, enterprises, or service units must vigorously practice economy and reduce nonproductive expenditure. They must not spend money on things they can do without, spend less money if they can manage to do so, and not take on work they should not undertake. 2) Strictly control population growth, persistently advocate one child per couple, strictly control second births, and prevent additional births by all means. 3) Increase in the income of the peasants must mainly rely on developing production and reducing costs. We can no longer mainly rely on raising the prices of agricultural products, lowering the purchasing quota and assigned purchase base, and expanding the negotiated price range. Appropriate measures must also be taken to reorganize as well as control price subsidy for agricultural products as well as other subsidies. 4) The growth of workers' wages, bonuses and welfare funds must be lower than the growth of profits and taxes turned over by the enterprises to the government, and lower than the extent of increase in labor productivity. The phenomenon of indiscriminately handing out bonuses and subsidies without taking into consideration the actual condition of production and profits must be firmly stopped. Firmly rectify and correct such violations of the law and discipline as misuse of, and unjustified additions to, production costs, tax evasion, withholding of revenue that ought to be turned over to the state, appropriation of state property for use by individual units, and appropriation of public property for private use.

CSO: 4006/740

## INDUSTRY

### BO YIBO DISCUSSES TRANSFORMING PRC INDUSTRIES

HK051040 Beijing JINGJI RIBAO in Chinese 25 Jul 83 pp 1, 4

[Article by Bo Yibo [5631 0001 3134]: "Accelerate the Pace of Technical Transformation in Our Electronics and Engineering Industries"]

[Text] The acceleration of technical transformations in our electronics and engineering industries and the promotion of technical advances in the national economy represent extremely important and pressing tasks. At the 12th CPC National Congress it was pointed out that on the basis of improved economic results, the production value for China's agriculture and industry should be quadrupled by the end of the century. There is a great deal of work to be done in order for this strategic target to be reached, but what is of decisive importance is, first, the implementation of key construction namely some large and medium-scale projects centered around energy and communications (in actual fact this also implies readjustment to production structure and is thus in its nature the coordination of proportional relations) and of course advanced technology must be used in these projects. Second, we must carry out technical transformations, which mainly involves improving existing large and medium-scale enterprises and improving their technological standards and their production capacity. These two tasks in fact both require the coordinated development of the national economy on the basis of technological advances and are also of fundamental importance in bringing prosperity and strength to the nation. Modernization, revitalization of the economy, and quadrupling must all rely on technological advances. It is vital that we enforce this accurate guiding ideology right through to our everyday and real life work. If we do not, then no amount of talking and writing articles and thinking up ideas and methods will get us anywhere.

Everyone knows that scientific and technological advances in every sector of the national economy are, in general, achieved with advanced technology and equipment. The electronics and engineering industries are the sectors which provide technological equipment and installations for all other sectors of the national economy. The state of these two industries' production technology directly affects the realization of all technologically advanced targets in

every sector of the national economy, including all key construction projects. It also affects whether or not China's electronics and engineering products can increase their flow into the international markets by a few times, by between 10 or 20 times or by more than 10 or 20 times. It is very obvious that this is a strategic question. In order to strengthen the production foundation of the electronics and engineering industries and improve their technological standards and their competitiveness on international markets, technical transformations in these two industries must be carried out in coordination with other sectors such as, for example, the raw materials sector. But, comparatively speaking, there must be a certain "lead time," and this is a requirement of the objective laws of production technology development. In conclusion, we must come to grips with carrying out technical transformations and technological advances in the electronics and engineering industries. This task affects the entire national economy and in this sense we should have a historical sense of responsibility and a sense of urgency, or otherwise we will make a big mistake.

Technical transformations in the electronics and engineering industries cannot be accomplished all at once. Rather there should be steady, nonstop transformations. Technological advances are limitless and in 100 years or 1,000 years we will still need to progress. We must advance constantly, week by week and year by year. We should make efforts so that within the next 15 years or so China's electronics and engineering industries will see vigorous development. By 1990 we should aim to have between 60 and 70 percent of our products on a technological par with the standards in advanced countries during the 1970's and early 1980's, so that during the 1990's there can be an even better development of the electronics and engineering industries and so that the necessary conditions will be laid down for further vigorous development of the national economy. We must arduously struggle towards this target. It is hoped that all leaders throughout the electronics and engineering industries will appreciate the task of the times and will understand and indeed actively accept the pressure and transform it into a motive force for taking up the challenge and striving courageously and ever higher.

After 30 years of construction, China's electronics and engineering industries are already on a very large scale and complete in terms of spheres of work. Furthermore, these industries have a good manufacturing capacity and specific technological standards (we already manufacture around 85 percent of the equipment and machinery we need), while there has been great development in production. However, it must be recognized that of the 100,000 or so enterprises that exist at present, the vast majority are small, inefficient factories equipped with old machinery. Even the large and medium-sized enterprises are in general fairly backward in terms of technology and there exists a very large gap between them and advanced standards. Equipment and machinery go for long periods of time without renovation and the technological quality of the workers is not high, product variety is small, quality lacking, and the economic results of the enterprise low. All of these are very common phenomena within the electronics and engineering industries. If we do not quickly change this situation there can be no way out for these industries and they will not be able to make their important contributions to the four modernizations, in fact they will be a

hindrance. Thus this deserves our greatest attention and for this reason we must, for quite a long time to come, focus on technical transformations in existing enterprises and not construct new factories, except for the small number of vital key projects. These existing enterprises also include scientific research and design centers. Not only must we transform existing enterprises, we must also absorb lessons from the past and we must not ignore any opportunity to carry out technical transformations. In the future we must no longer focus on expanding production quantities and chasing "total production value" and high speeds in a one-sided way, for while chasing high speeds, capital construction is blindly expanded and there is only extensional development, while technical transformations and technological advances are ignored. In the future we must work hard on the basis of intensional development while focusing on improving production quality and efficiency and increasing economic results. In order to do this we must implement all necessary reforms and indeed this work should be seen as our most important and urgent task. In March 1982 the State Council announced "regulations concerning pilot tests on technical transformations in the engineering industries." These regulations specified that there should be focused and phased technical transformations carried out on existing engineering enterprises. As Premier Zhao Ziyang said, this work is the first major step taken by the advanced front to vigorously develop the electronics industry and is of great significance for technical transformations in the engineering enterprises. Judging from the results in more than 1 year of pilot tests, the drawing up of these regulations for pilot tests was entirely necessary and the revelations themselves appear to be viable. After revision, the State Council has very recently decided to implement "regulations concerning pilot tests on technical transformations in the electronics and engineering industries" and it is hoped that these will receive the attention they deserve and that they will be fully implemented.

The first batch of key products for transformation as specified by the regulations include businesses in the engineering industry and thus full theoretical work and the drawing up of plans is needed so that plans for scientific and technological development and technical transformations within each business may be specified. These plans should be fully integrated with national and regional economic development plans as well as with the enterprises' plans for technical transformation and development.

Technical transformation should begin with the products and more specifically with upgrading products and then it should be carried out so as to link up all the separate parts. The machine manufacturing and engineering departments should draw up technical installation policies with all consumer sectors as quickly as possible based on the situation in China and technological developmental trends abroad.

Technical transformations require coming to grips with key points. The majority of the first batch of projects for technical transformation are medium and small-scale enterprises which manufacture important spare parts and machinery components. They are not large enterprises but most of what they produce are

essential products and products in great demand throughout the country. For this reason they occupy a very important position and should not be ignored. In carrying out technical transformations on this batch of medium and small-scale enterprises the main aim is to establish good technological foundations for the production of good products and at the same time to gain experience in technical transformations by doing the easy things before the difficult. It is vital that we do things this way and that everything be implemented according to plan. In addition, we should also take note that while organizing the second batch of technical transformation programs we must include some large-scale backbone enterprises but at present we should only do some preparatory work for this undertaking, including theoretical and scientific design work.

Technical transformations and technical advances mainly rely on existing material and technological foundations to arm themselves. All businesses and undertakings must strengthen their scientific research, design, and testing technology and we must begin to work with the construction of some technological development centers, focusing our efforts and strength on developing production technology. Large, specialized companies and backbone enterprises, in particular those large-scale key enterprises which have already been earmarked for technical transformations, should consider the establishment and strengthening of technological development centers in their own enterprises. At the same time we must pay full attention to the importation, digestion, and grasping of advanced overseas technology. We must clarify the concept of importing technology, digesting, and absorbing it and finally manufacturing it in China, for this is what we call self-reliance. It is not an intelligent way of working to research everything oneself from scratch. International technological exchange is necessary for economic development, and any advanced technology must be imported as soon as possible as long as China can use it. We should put particular emphasis on the importation of individual pieces of technology and unit components as well as technological software. Advanced technology and software which has already been imported must be fully digested and understood. In the past a great deal of imported advanced technology was not fully digested due to insufficient effort and hard work and so no new ideas and creations appeared. As a result, what often happened was that we were forced to reimport. This situation must change. As from today, important technological imports must be manufactured in China within a fixed period of time.

The implementation of technical transformations requires that we carry out reforms to existing systems and set-ups. At the same time we must increase the enterprises' responsibilities and integrate the duties, rights, and interests of the enterprises. Not only must we make great efforts to do this work, we must do it well. We must establish strict responsibility systems. We should continue to implement the former scheme referred to as "the system of continuity of the seven tasks" which effectively involves testing, design, manufacture, inspecting, installation, application, and maintenance. Major technical transformation projects should be assigned an overall responsible person and each link within it, including research, design, and testing right through to final



alterations and tuning, should also be assigned a responsible person to be in charge of it. We should consider the possibility to implementing a method in which the unit undergoing transformation signs a contract with relevant departments according to the requirements of the project and assumes economic responsibility. These relevant departments must actively create the necessary financial and material requirements for the transforming unit and carry out organizational and coordination work, helping grassroot units to solve their problems. When a project has been completed various completion checks must be organized properly. Those enterprises, which spend little money and show quick results and high economic results should be rewarded, while those units in which projects are not completed satisfactorily should be criticized. In cases where losses are incurred, enquiries must be made to find where the economic responsibility lies. We should establish norms for testing technological advances and we should implement policies of high quality and favorable prices, while adopting policies of providing favorable loans for key transformation projects. In addition, we should also set up a prize or reward system for the production of new or important products and for scientific research results.

While focusing on the development of key new products and the tackling of major scientific and technological tasks we should organize the production sector, the research and design sectors, and universities and institutes, and bring together their strengths. Most importantly we should integrate the national defense industry with civil industries and make full use of the national defense industry's superiority in terms of equipment and research facilities and implementing a system of transferal of scientific and technological results, thus promoting the transferal and propagation of advanced technology within the national defense industry to civilian industries.

Technical transformations in enterprises must be carefully implemented and integrated along with readjustment and reorganization. In this respect the Changzhou Tractor Company has been very successful. On the basis of the principle of coordinating expertise, this company carried out reorganization of the main engine factory and the coordination factory while at the same time also carried out technical transformations, changing an all-round factory into a specialized factory so that the 10 factories and 1 research institute became "a coordinated process." As a result of reorganization and transformations around 80 percent of the tractor factory's spare parts are now manufactured by the coordination factory and production costs have dropped 25 percent, while the number of types of hand tractors has risen from 3 to 6, with obvious improvements in quality, winning national gold quality awards on two occasions. In addition, the enterprise's profits have also greatly increased.

The technical transformations in the electronics and engineering industries must also be carried out in step with technical transformations being implemented in the metallurgy and chemical industrial sectors, coordinating together to form one complete whole so that the manufacturing sectors and the raw materials sectors may complement each other in improving their technological standards.

An important requirement for propagating technological advances is active raising and rational utilization of funds. Some financial support must be provided for technical transformations and this should be enthusiastically done. In May of this year an English friend of mine wrote me a letter in which he discussed the improvement of technical transformations in existing enterprises in China. He listed eight examples which, after investigation, proved to be importation projects involving little expenditure of money, and fast and good results, but which were not being implemented for long periods of time due to money shortages in the relevant departments. Today, in view of the financial difficulties in China, the decision to increase the rate of depreciation in the first batch of transformation units and to make use of this in enterprise technical transformations is indeed good support. After substitution of tax for profit, enterprises should use a good deal of their money to carry out technical transformations. At the same time, great efforts should be made to make good use of bank loans. Today, in order to encourage enterprises to make more use of loans to carry out technical transformations, suitable reductions in interests rates and repayment extensions have already been drawn up.

It is worth noting that we must use our limited funds where they are most needed and randomly scatter them about. Funds should be prioritized for completing the first batch of technical transformation projects and also for improving product quality, increasing product variety, and for technological development and economic results. Many things which go falsely under the name of technical transformation are in reality forms of capital construction. All economic levers such as prices, taxes, credit, and interest rates should be used fully to readjust the direction in which funds for technical transformation are used.

The key to carrying out technical transformations well lies in human talent. In overall terms China's electrical and engineering products are not of a very high quality and this is directly related to the insufficiently high technological levels and standards of know-how of many management cadres and researchers. It is also directly related to the insufficient attention we pay to the fostering and rational utilization of talent in China. In the future we should make even greater efforts to actively train and rationally make use of talented people, solving the present problem of old age among specialists and setting up a team of highly trained management personnel and scientists and technologists. The focal point in the organizational work of such a team should be the young and middle-aged intellectuals, and young and middle-aged scientists and technologists with genuine talent and management, and administrative personnel should be promoted to specific work positions while top-level leaders and elder experts should support and encourage them with all sincerity, giving them the respect their positions deserve. Naturally, elder experts will continue to play their part and here what should be especially stressed is the need to make use of middle-aged and young scientists and technologists and backbone management personnel, including experts and others who have recently graduated from a university or research institutes, and get them to radiate their energy and make great contributions around the age of about 30. We should consider testing such methods as the rational transferal and directional circulation of experts. We must inherit, pass on and utilize the successful experiences of the integration



of cadres, workers, and experts. At the same time as fully exploiting the role of China's experts and talent we must also actively continue to invite overseas scientists and experts to come and work in China.

The electronics and engineering industries represent outfitting sectors and are also service sectors. The ultimate sign of the results of technical transformation is the production of advanced products and the provision of outstanding service. During the last year or more there has been an obvious comeback in production within the electronics and engineering industries. This is very good. It is in view of this situation that one particular problem requires our special attention, and that is that many enterprises are satisfied with old and outdated products, and since these products are badly needed, the enterprises' stomachs are filled, the same old problems are recurring, namely blind chasing after production value and tonnage, while improvements to products quality are ignored, and there is no demand to improve or replace products or to improve and develop technology. In addition, service to users is bad. This kind of behavior is very wrong and will without doubt cause great losses. We should appreciate that in general terms the comeback that the engineering industry is seeing is normal and that it represents a turn for the better in the national economy. Furthermore, society's demands to the engineering industry are increasing, and the industry should readjust its service direction accordingly, increasing production, expanding product varieties, and improving product quality. Within this comeback here are also some irregular factors created by blind expansion of capital construction. Last year there were large increases in investments outside capital construction planning, and quite a large number of projects were started in a blind and thoughtless way. Historical experience tells us that whenever capital construction increases and there is a quick turn for the better in the engineering industry, what we taste first is the sweet (when in actual fact this sweetness can conceal a great deal of bitterness). Every time capital construction decreases, the first to suffer the bitterness is the engineering industry. This is worth noting. At the same time we should not forget that the products produced by China's engineering industry are very weak in terms of international competitiveness. In any situation we must with all sincerity make serving the user our own responsibility, and we must all quicken the steps involved in technical transformation and work hard to improve product quality so that products become marketable, gaining credibility among domestic users and increasing their competitive capacity and their reputation on the international market. Only if we are successful in serving the user, and this includes overseas customer services, can we truly achieve our aims of improving the technological standards of China's electronics and engineering industries.

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## INDUSTRY

### BRIEFS

NEW MATERIALS DEVELOPMENT--Beijing, 4 Aug (XINHUA)--The development of new materials has an important bearing on promoting the four modernizations in our country. New materials are an important foundation for building our national economy and an indispensable link in developing new industries. During the Sixth 5-Year Plan period our country will concentrate its efforts on developing new materials in four fields, including scores of research projects. They include research on critical new materials for state key construction projects; research, development and utilization of various kinds of high polymer and compound materials; research and development of new materials for the electronic and communications industries; and research and development of new materials for the energy industry and for energy-saving purposes and special steel for the atomic energy and other industries. During the same period, the state will organize various units to produce more than 10,000 metric tons of organic silicon and polymethyl methacrylate and more than 1,000 metric tons of organic fluoride per annum, develop the technology of plastics for special engineering work, and promote and apply scores of scientific research achievements in textile, electronics, power, light, construction, petroleum, chemical and other industries. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0110 GMT 4 Aug 83]

SHANDONG PLANT OPENING--The Yantai synthetic leather plant in Shandong--one of the state's key projects--began its comprehensive trial production today. This modern plant is China's largest of its kind with a total construction floor space of more than 167,000 square meters. State investment exceeded 460 million yuan. Its three sets of principal machinery producing synthetic leather were imported from Japan, supplemented by auxiliary equipment designed and manufactured by Chinese workers. After being put into full-scale production, the plant will be able to produce 3 million square meters of synthetic leather annually, enough for making 20 million pairs of leather shoes. In addition, it will turn out over 15,000 tons of light industrial material each year for other factories to produce synthetic plastics and fiber. Construction began in April 1980 and plant design, construction, and equipment installation were the work of 11 design institutes and 20 civil engineering units from Shandong and other parts of the country. A meeting was held at the plant this morning to celebrate its comprehensive trial production.

Wang Zhen, Political Bureau member of the CPC Central Committee and honorary president of Sino-Japanese Friendship Association attended. He wrote an inscription for the plant and cut the ribbon for the occasion. He met with all the Japanese engineering and technical personnel working at the construction site. [Text] [OW022039 Beijing Domestic Service in Mandarin 1200 GMT 1 Aug 83]

CSO: 4006/730

## CONSTRUCTION

### MEETING REVEALS CONSTRUCTION OF EIGHT SEAPORTS

OW050135 Beijing XINHUA in English 0744 GMT 4 Aug 83

[Text] Beijing, 4 August (XINHUA)--Construction of eight seaports is well under way, according to a national conference on capital construction now in session here.

The ports are among China's 70 top-priority construction projects. Now under construction are Shijiu Port in Shandong Province and a new harbor area in Yingkou Port, Liaoning Province. Six more ports at Shanghai, Tianjin, Huangpu and Zhanjiang in Guangdong Province, Qinhuangdao in Hebei Province and Lianyungang in Jiangsu Province are also being expanded.

Forty-one deep-water berths capable of accommodating ships of more than 10,000 tons are being built in these ports along with auxiliary facilities, the conference was told. These berths are designed to handle 78 million tons of cargo annually--mainly coal and import and export commodities. The figure accounts for one third of the present total capacity of China's seaports.

Twenty-seven of the berths are scheduled to open by the end of 1985, and the remainder will start operation by the end of 1987, according to the conference.

Shijiu Port, now being built with Japanese Government loans, will have two berths for 100,000-ton vessels and a 1,144-meter steel pier. When completed in 1985, it will be able to handle 15 million tons of coal a year from Shandong and Shanxi Provinces for export and shipping to southern China.

At the Qinhuangdao coal wharf two newly completed berths, one for 50,000-ton vessels and the other for 20,000-ton ships, were put into trial use in early July. Two others, each capable of accommodating 50,000-ton vessels, are now under construction. The wharf will expand its handling capacity by 30 million tons when all the berths are completed by the end of 1984.

A wharf designed to handle 10 million tons of coal annually is also being built at Lianyungang.

Six more coal berths are under construction in Shanghai, Huangpu and Yingkou.

For the developing container shipment, seven berths each capable of handling 100,000 containers a year are under construction in Shanghai, Tianjin and Huangpu. Upon completion in 1985, the berths will be able to handle 4.3 million tons of container cargo a year, 2.4 times China's present capacity.

In addition, berths for handling grain, iron and steel, timber and general cargo are also under construction in these ports.

CSO: 4020/109

## CONSTRUCTION

### SHANXI CPC COMMITTEE URGES KEY PROJECTS SUPPORT

OW031309 Beijing XINHUA Domestic Service in Chinese 1412 GMT 31 Jul 83

[Report by Wang Wenliang, Cao Wenlong]

[Excerpt] Taiyuan, 31 Jul (XINHUA)--The work conference of the Shanxi Provincial CPC Committee that closed yesterday called on party organizations and governments at all levels as well as the masses to create a new situation in Shanxi in which the whole party and the people will take the interests of the whole into consideration and wholeheartedly support the construction of the state's key projects.

The work conference was held for the special purpose of studying how to further mobilize the party organizations and governments at all levels as well as the vast numbers of cadres and people in the province to support the construction of the state's key projects.

Shanxi is China's important base for coal, energy, heavy and chemical industry. The state has planned to build 40 large- and medium-size coal, electric power, railway, chemical and metallurgical projects in the province during the Sixth 5-Year Plan period, with 10 of these listed as key projects. The number of projects undertaken in the province during this period is the largest since liberation.

In the previous period, certain units and individuals in Shanxi wantonly overcharged and fleeced key project construction units. Some localities and departments were keen on starting new projects and competed with the key projects for the limited resources. As a result, there had been difficulties surrounding the construction of a number of key projects concerning requisitioning land, dismantling buildings and supplying materials. This seriously affected the smooth construction of the key projects.

At the conference, responsible comrades of the provincial CPC committee and cadres from various levels seriously analyzed and summed up both the positive and negative experiences of the province in supporting construction of key projects. Through the study of the speeches of the responsible central comrades on successfully carrying out the construction of key projects and by relating

the study to their thinking and work, many cadres were able to strengthen their overall view and sense of urgency and responsibility in supporting the construction of the state's key projects.

Previously, a number of comrades from the provincial planning committee believed that the number of projects not included in state and local plans in recent years had been fewer in Shanxi than in a number of other provinces and regions, and, therefore, regarded the province as basically "law-abiding." Because of this, they hesitated to reduce the number of projects that were not included in the state and local plans. Now, viewing things differently they have voluntarily reduced the number of projects not included in the original plans by more than 20.

CSO: 4006/730

## DOMESTIC TRADE

### PROBLEMS IN REFORM OF PRICE SYSTEM DISCUSSED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS], in Chinese No 4,  
11 Apr 83 pp 9-14

[Article by Li Gengxin [2621 2577 2450]: "A Humble Suggestion Concerning  
Several Problems in Reform of the Price System"]

[Text] Commodity price is a problem of general concern as well as a very ticklish problem, since it involves the comprehensive issues of production, distribution, exchange (circulation) and consumption. Therefore, this ticklish problem of price is always encountered in economic restructuring. That is why people hope that in economic restructuring, the price reform can be one step ahead or at least will not lag behind. However, the problem of price is a very complex one, and there is now the dilemma of the necessity for reform and the difficulty in making any change. This will call for an all-round and cautious study, and this article will present some views on several problems concerning reform of the price system.

#### I. The Problem of Orientation and Steps in Reform of the Price System

The grand strategic objective laid down by the 12th Party Congress for socialist modernization is the main basis for our future economic work, and the price system must be consistent with the strategy of economic development and ensure the smooth implementation of the general strategy. Therefore, there must be a general outline for price reform, and this general outline should include the orientation of this reform as well as the steps to be taken.

##### 1. Orientation of Reform of the Price System

It is fairly commonly believed that the irrationality of current prices is mainly manifested in their deviation from value and the uneven profit intake among enterprises. Therefore, the idea behind the reform of the price system is to apply the law of value so that, based on their value and with due consideration for the interests of the state, the enterprises, the collectives and the individuals, prices will become relatively rational after the reform. Prices in our country should be oriented to the huge market of 1 billion people and be based on the positive policy of lower profit but larger turnover. There should also be more avenues of production,



more job opportunities, more sources of revenues and income, and more accumulated construction funds. The objective of this reform is to supply good and low-price products for the people, and to gradually improve their material and cultural lives in order to attain the general objective of prosperity for the state and the people.

First, a basic stability must be preserved for the prices of consumer goods, particularly the basic means of subsistence. Those prices which are obviously irrational for consumer goods should be carefully readjusted along with the development of production and the rise in labor productivity. If the purchasing price is higher than the selling price and government subsidy is required in the case of basic consumer goods, an all-round readjustment, in coordination with a revision of the wage scale is needed.

Second, on the basis of unified planning and an overall balance, an all-round reform should be carried out on the way to deal with those important means of production having a bearing on the national economy and the people's livelihood, especially if their prices are irrational; and this action should be taken on those backbone enterprises owned by the whole people and carrying out mandatory plans. In making major price readjustments, the state should also regulate the profit and loss of enterprises through the use of profit quotas and tax rates.

Third, the prices of agricultural products should remain basically stable at the present stage, and no major readjustment should be made in the near future. The price parity of certain agricultural products should be gradually and appropriately readjusted. The increase in the peasants' income will mainly depend on comprehensive agricultural development and the rise in labor productivity.

## 2. System of Diversified Prices with Planned Price in the Lead According to the Principle of "the Leading Role of Planned Economy and the Supplementary Role of Market Regulation"

First, the backbone enterprises owned by the whole people and carrying out mandatory plans on dealing with the means of production and the means of consumption affecting the national economy and the people's livelihood as well as the national economy as a whole, should use planned prices. For the mandatory quotas in the procurement of grain and other important agricultural products by the state in the collective sector of economy, planned prices should also be used.

Second, for the products and enterprises which are carrying out guiding plans, economic levers should be used, under planned guidance, for setting the upper and lower limits of floating prices.

Third, for those commodities produced on the plants' own initiative to meet changes in supply and demand on the market, market-regulated prices can be used. When these market prices appear to be out of control, the state sector of economy should carry out appropriate regulations with economic means and play the leading role to keep the market basically stable.

Either planned prices or floating prices should be based on objective realities. The people concerned should keep themselves well informed on current events, be able to use the law of value intelligently, regulate the prices in good time, guard against frozen prices and make full use of prices as an economic lever.

### 3. Steps To Be Taken

Concerning the reform of the prices of the means of production:

First, wholesale prices have to be gradually readjusted for industrial products which serve as the means of production under mandatory plans and which concern the overall national economy (such as mineral products, fuel, principal raw materials and processed industrial products) and for the backbone enterprises owned by the whole people. This readjustment should be made on all transactions between different trades or different units of the same trade, and the order of their readjustment will depend on different circumstances. The financial authorities will conduct an overall accounting of the increase or decrease in the profits or losses thus caused and then regulate them with the use of profit quotas and tax rates so that the prices of industrial products will gradually become rational.

Second, for those enterprises in which floating prices based on guiding plans are used, all-round readjustment should be carried out in separate groups and in different periods.

Concerning the reform of prices of the basic means of subsistence:

First, provided the selling prices of the basic means of subsistence and the procurement prices of agricultural products remain basically stable, readjustment should be carried out in separate groups and different periods for some commodities if circumstances so require. Those enterprises owned by the whole people and dealing in agricultural products, which serve as the means of production according to mandatory plans, will no longer be granted price subsidies.

Second, for those basic means of subsistence whose selling prices are lower than the purchasing prices and are being subsidized by the state, a radical change should be made in the selling prices in combination with a wage reform in order that the price system may be rational. In the course of this reform, price statutes should be formulated along with a system of price supervision.

## II. Careful Handling of the Relationship Between Prices, Livelihood, Construction

Price reform should be based on the basic strategic principle "first feed the people, and second build the country" in order that production, livelihood, accumulation and consumption will all be well coordinated and will promote each other as a guarantee for the steady and sustained development of production and construction and for the improvement of the livelihood of the people.

Commodity prices occupy an important place in circulation, and the question of paramount importance here is that of distribution, which concerns both production and consumption. The composition of commodity price includes the portion of the means of production consumed (c), the portion of wages (v) and the portion of tax and profit (m). The portion of profit and tax to be used for redistribution can again be divided into the portion of accumulation to be used on expanded reproduction and the portion of consumption to be used on social amenities, cultural and educational undertakings, public health, scientific research, administration and national defense. The distribution of the wage and the tax-profit portions embody the interests of the state, the collective and the individual as well as immediate and long-range interests, and are the motive force in developing the national economy. Therefore, in the price reform, the following relationships should be well handled:

First, importance should be attached to the wage factor in prices. The wages of workers and staff members of the material production departments in a socialist society are the remunerations for their labor in the creation of products according to the principle of distribution according to work done. Along with the continued development of production and the rise in labor productivity, wages should be raised correspondingly. Increased personal consumption is necessary for promoting production, and the relationship between production and consumption is one of interdependence, mutual restriction and mutual promotion.

Production and construction are the material foundation for improving people's living conditions. The purpose of production is to meet the constantly increasing material and cultural needs of the society. To attain this objective, accumulation is needed, since sustained increase in production is impossible without a modernized material and technological foundation. However, construction should be carried out within our capability. Normally, high accumulation beyond a certain limit and by suppressing consumption cannot be sustained; and similarly, "high consumption" cannot last long if wages are increased without the development of production and the rise in labor productivity, or if accumulation is disregarded in striving for easy income. The margin of wage increase should be determined according to the material and technological foundations of social production in different periods and under the principle of distribution according to work done. However, this margin cannot be more than the rise in labor productivity, because an appropriate proportion of the increased labor productivity should be accounted for in expanded reproduction and technical transformation. Therefore, in reforming the prices of industrial products, the question of wage increases based on labor productivity and economic results should be fully considered, since this is a basic question of distribution according to work done which serves to enhance the enthusiasm of all social members in production.

In the Sixth 5-Year Plan for national economic and social development, the average annual increase in the general payroll is set at 4.9 percent. This is an inspiration to all workers and staff members.

Second, the price level should be consistent with the people's income level. The policy of basic stability for commodity prices adopted after the founding of the People's Republic is a correct one, since it is advantageous to the development of production and construction, and to the stability of people's livelihood and social order. Under special social and economic conditions, commodity prices in our country have special characteristics of their own. When wages and consumption are as low as they are now, the policy of keeping prices of the basic means of subsistence at a steady low level is what people like. However, some industrial consumer goods made of industrial and mineral raw materials are expensive or too expensive for the consumers of lower income brackets, and these consumers happen to be in the majority. At the same time, we should pay attention to the collective income of peasants. The large-scale increase in the procurement prices of agricultural and sideline products is of immense benefits to the peasants. However, because of the weak economic foundation, the income level is still not high. In 1980, each commune member of the basic accounting units in the people's communes received an average of 85.9 yuan from collective distribution, and in 59 percent of these basic accounting units, the per capita income was less than 80 yuan. Furthermore, in the average income of each commune member, only 26.8 yuan was in cash. It is true that the income from collective distribution amounted to only 45 percent of the annual net income (including the proceeds from household sideline occupation and other sources) of 191.33 yuan. Yet, on the whole, purchasing power is low. Now some industrial production units are interested only in profits. They only want to retain a larger share of profits and pay no attention to social benefits; and in production, they are interested only in products of high prices and large profits, but not in those of low profit and low prices, even though they are needed by the urban and rural population and are in short supply. Some of them even raise prices, either overtly or in disguise, at will. These problems should deserve our attention in our planned economy. The profits of enterprises should come mainly from better technology, technical transformation, higher labor productivity, reduced consumption of raw materials and energy, lower production costs and improved business management, but not from raised prices which would add to the consumers' burden. We must develop production, raise labor productivity, continue to readjust or appropriately lower prices so that consumers will gain some real benefits. Only this can be the source of vitality for enterprises and can demonstrate the superiority of the socialist system.

Third, the main way to reform prices is to develop production and raise labor productivity. The present labor productivity in our country is not high because of restrictions from various circumstances. Low wages in our country were originally a strong point. However, because of low labor productivity, the amount of labor embodied in the product is relatively high and this accounts for the relatively high production cost. That is why labor productivity and economic results should be given great importance. This is the most fundamental question about prices.

### III. The General Margin of Readjustment of the Price System

In reforming the price system, people are most concerned with such questions as the profit level of industrial enterprises and the even distribution of profits. At present, there are differences in the profit intake among different trades and different enterprises due to various factors. For example, there are different natural resources and different conditions of their exploitation, different organic compositions and technical intensity, different degrees of specialization and cooperation, different sources of raw materials, different levels of labor productivity and management, state policies, historical factors and so forth. Therefore, the questions of profit level, the even distribution of profits, and financial coordination have become one of the focal points in the current price reform. Now let us consider the following viewpoints:

First, the question of profit rate as one of the factors of regulation.

Profit rate is the core of the price problem with a bearing on production, distribution, circulation and consumption. In 1981, among the industrial enterprises owned by the whole people and having independent accounting, the profit-interest rate was 23.8 percent on total funds and 33.4 percent on sales costs. However, the general profit-interest level was quite different among different trades and different enterprises. The numerical data on several principal trades are shown in Table 1:

Table 1.

Profit-interest rate on

Industry	(A) total fund	(B) sales cost	Percentage of (B) to (A)
Petroleum	62.6	79.7	127.3
Electric power	23.3	87.1	373.8
Coal and coking	3.8	7.6	200.0
Metallurgy	16.4	29.8	181.7
Chemistry	26.1	31.4	120.3
Textile	63.6	33.0	51.9
Food	63.9	35.8	56.0
Papermaking and stationery	28.5	32.9	115.4

From these figures, we can see a 15-time difference between the petroleum industry and the coal and coking industry; and a 2.9-time difference between the metallurgical industry and the textile and food industries. Because of the difference in the organic composition and other factors, there were striking differences in the profit-interest rates on both funds and sales cost among different trades. For example, the profit-interest rate on sales cost was 2.7 times higher than the profit-tax rate on funds in the electric power industry, while the reverse was the case with the textile and food industries, whose profit-tax rate on funds was 92.7 percent and 78.5 percent higher, respectively.

Both rates were high in the petroleum industry, whereas both were low in the coal and coking industry. In a big industry, the rates were also quite different among different branches. For example, in the machinery industry, the profit-interest rate on funds was 8.6 percent for the industrial equipment manufacturing industry, and 45.2 percent for metal processing serving consumer needs.

There are also policy factors to be considered. Aside from the policy of energy conservation which applies to the petroleum industry, there are also policies to support agriculture and the farm-machine and chemical-fertilizer industries. The profit-tax rate on funds was only 2.5 percent for farm machines and 7.7 percent for chemical fertilizers. The policy of monopoly was adopted for tobacco and liquor. The profit tax rate of funds was 340 percent for the cigarette industry and 53.2 percent for the brewing industry. The differences are also quite large among different enterprises in the same trade because of their size and technological level. The production costs of the iron and steel enterprises and the synthetic ammonia enterprises in 1978 are shown in Table 2.

Table 2.

<u>Average production cost per ton</u>	<u>Large (key) enterprises</u>	<u>Medium-size enterprises</u>	<u>Small enterprises</u>
Pig iron	138	192	304
Synthetic ammonia	168	300	492

From this table, we can see that there are objective as well as subjective factors in these differences. We must analyze these factors and adopt the necessary policies and measures before we can gradually work out a relatively rational profit level.

In my opinion, the profits of enterprises obtained from natural resources, state funds and state policies should be turned over to the state, while the normal profits obtained from other factors, such as the rise in scientific, technological and management levels of the enterprises and the enthusiasm of the workers and staff members should belong to the enterprises and be used as a yardstick of the profit level of the enterprises. Only thus can we correctly assess the advanced or backward management of the enterprise, encourage the advanced and spur on the backward. We can also provide for the workers' welfare according to the degree of labor intensity through arrangements in income tax and profit retention.

In setting up industrial profit rates, we must not adopt the method of "arbitrary uniformity." Using one single rate under different complex conditions is impractical. We believe that prices should be based on value. Through the use of the law of value, we should set profit rates within an appropriate range of variations and form rational proportionate relationships so that they will all approach the general profit level. This is a requirement for setting relatively rational prices.



Second, the interrelationship between profit and finance.

The profits of socialist state-run enterprises are closely related to state finance. Between them is a relationship of interdependence and mutual restriction. In 1979-1981, the revenues handed over by the enterprises and their industrial-commercial taxes amounted to 85.8 percent of the state revenues. Thus we can see the decisive effect of profits on the financial situation. If profits are too large and accumulation and social consumption are too high, the consumption level of people will certainly be affected; and conversely, if the profits are too small, they will also have an adverse effect on the scope and speed of development in economy, national defense, scientific research, and cultural and educational undertakings. Therefore, we should draw the lessons learned from our experiences since the founding of the People's Republic and seek the best possible margin for the proportion of financial revenues to the national income and the most appropriate profit level based on actual conditions so that profit, finance, accumulation and consumption can all develop in harmony.

Before 1978, with the exception of 1967 and 1968, the proportion of financial revenues to the national income was all above 30 percent, and was as high as 39.9, 46.9 and 37.2 percent in 1959, 1960 and 1978, respectively. In most of these years, there was an economic imbalance caused by high accumulation. This situation has been reversed since the 3d Plenary Session of the 11th Party Central Committee, and in 1980 and 1981, the proportion dropped by 29.6 and 27.4 percent respectively. The profit-tax rate on total funds of industrial enterprises, owned by the whole people and having independent accounting, in 1980 and 1981, was 24.8 and 23.8 percent respectively. In these 2 years, we had an excellent economic situation, the like of which has been rarely witnessed since the founding of the People's Republic. The increase in production was steady, finance was basically balanced, prices were stable, the market was flourishing, capital construction was maintained at the necessary level, the proportion of expenditures on scientific research and cultural and educational pursuits were raised, welfare measures were increased by a wide margin, the people's livelihood was improved and the economic readjustment was further harmonized. Under these new economic conditions, therefore, it may be possible to stabilize the proportion of financial revenues to the national income at 27-30 percent tentatively, and use this as the general margin for regulating the use of money and to reform the current price system. This is only the starting point, and along with the progress of the economic restructuring, the continued development of production, and the further improvement of the financial and economic situation, the best possible margin can be determined. This is the basic condition in the reform of the price system.

#### IV. Readjustment of the Disparity of Prices for Industrial and Agricultural Products as a Prolonged Historical Task

The question of prices in the exchange between industrial and agricultural products is an important one with a bearing on the development of industrial

and agricultural production and the consolidation of the worker-peasant alliance. Since the founding of the People's Republic, the party and the government have attached great importance to the scissor differential left over from the old society because of its hindrance of agricultural development and of the improvement of the peasants' livelihood. Therefore, during the socialist construction period, the state has undertaken a heavy task and used every possible means to make drastic increases in procurement prices for agricultural and sideline products and to lower prices of the means of agricultural production on many occasions. The disparity of prices of industrial and agricultural products was greatly reduced. The price indices supplied by the State Bureau for 1980, compared with those of the period 1930-1936 and the year 1950 are as follows (the index of average prices in both 1930-1936 and 1950 being 100):

#### General Indices

<u>Year</u>	<u>Official procurement prices for agricultural and sideline products</u>	<u>Retail prices of rural industrial products</u>	<u>Composite price parity index of industrial and agricultural products*</u>
1930-1936	473.5	280.6	168.7
1950	251.2	110.8	226.7

\*The retail price index of rural industrial products is 100.

As shown by these indices, 1 yuan's worth of agricultural and sideline products in 1980 can be exchanged for 69 percent more industrial products than in 1930-1936 and 127 percent more than in 1950. Of course, if we compare the various types of products in terms of quantity, some of them may be lower than the 1950 or 1930-1936 level. Anyway, the general trend of price disparity, based on a comparison with either 1950 or 1930-1936 before the War of Resistance against Japanese Aggression, has undergone a fundamental change.

In commodity exchange of the past, the exchange at unequal values, when the prices of agricultural products were lower than the prices of industrial products, was usually attributed to the "scissor differential." This description of the disparity in the prices of industrial and agricultural products in a certain historical period was quite graphic. Now that the general price level has undergone a change, we have to discover the axis of the "scissors" as the point to measure the price difference, if the term "scissor differential" is still to be used. Should 1950, the period 1930-1936 or some other period be used as the base for the purpose of measurement? This question must be answered before we can scientifically define the margin of price differences in quantitative and qualitative terms.

Is there still any disparity in prices for industrial and agricultural products? We hold that there still is a value difference as shown by the



price difference. This difference is in the main no longer the same as the "scissor differential" left over from the old society, but rather the value difference arising from the different speeds in industrial and agricultural development and in the rise of labor productivity during the development of socialist production and construction. This state is mainly due to the weak technical foundation of agriculture, the surplus of labor in the countryside, and the low labor productivity in our country. Therefore, it is a relative difference caused by the slower rise in agricultueal labor productivity than in industrial labor productivity and by the different speeds of increase in the value created by agricultural labor and industrial labor for the national income.

In 1981, agricultural laborers accounted for 72.1 percent of the total social labor force, but their contribution was only 42 percent of the national income, while industrial laborers, only 13.4 percent of the total social labor force, contributed 44.2 percent. The ratio of the average contribution of each agricultural laborer to the national income to that of each industrial laborer was 1:5.66.

In 1981, the net outout value created by each agricultural laborer was 360 yuan. The ratio of one agricultural laborer's net output value to that of one industrial laborer was 1:8.5. Between 1952 and 1981, the speeds of growth of net output value created by each agricultural and industrial laborer were as follows:

<u>Year</u>	<u>1952</u>	<u>1957</u>	<u>1978</u>	<u>1981</u>	Average annual increase rate		
					1952- <u>1957</u>	1978- <u>1978</u>	1981- <u>1981</u>
Net output value of each agricultural laborer (yuan)	323	335	332	360	1.9	-0.3	2.7
Net output value of each industrial laborer (yuan)	725	1,586	2,970	3,066	16.9	3.0	1.1

Note: The net output value of both agriculture and industry are based on constant 1970 prices.

According to these figures, industrial laborers were faster than agricultural laborers in creating net output value in 1952-1978, while agricultural laborers were faster than industrial laborers in 1978-1981, because of the economic readjustment. In 1981, however, there was still a big difference between the net output values of industrial and agricultural laborers. The difference in the income of industrial and agricultural laborers is reflected by these figures: In 1980, the average income of each agricultural laborer of the basic accounting units from collective distribution in people's communes was 236 yuan, while the average income of a worker's from his wages under the system of ownership by the whole people was 803 yuan. The ratio between the two was 1:3.4.

During the development of the national economy for a certain period, agricultural labor productivity may continue to lag behind industrial labor productivity. In future, therefore, the difference in the speed of increase between industrial and agricultural labor productivity will not only remain but also be enlarged. Thus in the course of industrial and agricultural development, the increase in peasants' income will mainly depend on a faster comprehensive agricultural development and a higher agricultural productivity instead of any further increase in the procurement prices for agricultural products. In 1981, the state's price subsidy for grain, oil and cotton amounted to more than 16 billion yuan. This amount should be reduced but not increased. At the same time, while raising industrial labor productivity, we should gradually and suitably lower the prices of industrial products. Of course, we cannot preclude the possibility of steadily and suitably raising the procurement prices for agricultural products at certain suitable occasions so as to narrow down the difference in the prices of industrial and agricultural products as well as the difference in the income of industrial and agricultural laborers more quickly. This cannot be accomplished overnight, since it is a long-term historical task.

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## DOMESTIC TRADE

### LEADING CADRES MAKE SUGGESTIONS FOR DEVELOPMENT IN MOUNTAINOUS AREAS

Guangzhou NANFANG RIBAO in Chinese 11 May 83 p 1

[Article by Staff Reporters Huang E [7806-1494] and Yang Xingfeng [2799 5281 6912]: "While Inspecting and Guiding Work in Lungmen County, Ren Zhongyi [0117 0112 1138] and Liu Tianfu [0491 3944 1133] Say that Development of a Commodity Economy Is the Way for Mountainous Regions to Get Rich"]

[Text] In early May, the First Secretary of the Provincial CPC Committee, Ren Zhongyi and member of the Central Advisory Commission, Liu Tianfu went to Lungmen County to inspect and understand the situation of construction in mountainous regions. They went right down into forestry centers, electric power stations, reservoir construction sites, factories, schools and the homes of commune members and conversed with cadres, peasants, workers and teachers. They also held panel discussions with local intellectuals and those engaged from outside the area to listen to their ideas and opinions. Comrades Ren Zhongyi and Liu Tianfu praised Lungmen County for its achievements and experiences after the 3rd Plenum of the 11th CPC Central Committee, in emphasizing science and technology, making good use of intellectuals, utilizing the natural resources of the mountainous area, and in working hard to develop a commodity economy and enlivening the work of construction in the mountainous area.

When the responsible comrades of the county's party committee gave its report on ways for the mountainous region to prosper, Comrades Ren Zhongyi and Liu Tianfu said that in the long run, for a mountainous region to prosper, trees must be planted, and work must begin now. However, this should not be the sole object of one's attention. Mountainous areas are vast in territory with rich natural resources, and great productive potential. There are many ways to achieve prosperity. Planting, aquatic breeding and weaving can be greatly developed, as can gathering and collecting. Results can be seen for some of this in a few years. For some, results can be seen in the same year, and for other projects, in the same month. A good deal of efforts will have to go into finding new sources and fields of production. One must be more farsighted and think of a few more ways of doing things. Only in this way can the pace of development in the mountainous regions be increased. When they were inspecting the county's newly opened tourist area on Nankun Mountain, they expressed their support for developing tourism in mountainous regions. They also pointed out that tourism

could also be developed in forest areas as well, but it must be based on the characteristics of the forest areas and rely on afforestation and protection of the forests. Comrade Ren Zhongyi even wrote the following words to encourage the people at the Nankun Mountain Forestry Center: "Develop a commodity economy, do a good job in communications and transportation, engage and train qualified personnel; more work means more pay; forests must be protected and forest fires prevented when developing tourism." After inspecting Lungmen High School, Comrade Ren Zhongyi said that developing mountainous regions requires both engaging qualified personnel from the outside and developing education locally to cultivate one's own qualified personnel. Industry and agriculture have developed more rapidly after the 3rd Plenum of the 11th CPC Central Committee. If the work of education is done successfully now, future development will be even more rapid. In addition, Comrades Ren Zhongyi and Liu Tianfu made a special trip to inspect the Wenquan-Nankun Mountain Highway which is under construction, and pointed out that the county must work hard and do a good job in communications and transportation. They said transportation must be well developed in order to operate a commodity economy. As the state can only invest a limited amount of capital, the localities can raise money and do it themselves. A regulation could be devised that would allow control and profits to go to whoever does the construction, and that would stipulate under what conditions fees could be charged for using highways and bridges, and how much. The financial burden must be reasonable and fees should not be charged indiscriminately.

In the process of inspecting work, Comrade Ren Zhongyi repeatedly stressed that mountainous regions were poor in the past not because cadres were no good, nor because the masses did not work hard, but mainly because policies were off the mark. Under the influence of "Left" errors, many fears existed in the minds of quite a few people. First, they were afraid of becoming prosperous, equating wealth with revisionism, and believing that the poorer one was the more revolutionary one was. Second, they feared invigoration. It was believed that if the economy was invigorated, capitalism would emerge. This resulted in continuous stifling overcentralization, a single-product economy and monopolistic business practices. The third was the fear of commodities, the belief that a commodity economy would give rise to capitalism. As a result, everything was blocked. Old ladies were not even allowed to sell a few eggs. The fourth was the fear of opening up to the outside world and the desire to always close the country's doors, stand still and refuse to make progress. The fifth was the fear of knowledge, the contempt for intellectuals and the belief that "the more knowledge you have, the more reactionary you are." These "Five Fears" hindered the enthusiasm of the cadres and the masses and made us poorer. At present, we must continue to get rid of the "Left" influence and set things right. A good situation will only emerge if policies are on the mark. Finally, Comrade Ren Zhongyi encouraged the "team" at the Lungmen Party Committee to unite, look forward and work together with one heart and mind. The work of the county party committee has to be taken up comprehensively. A county party committee is not an agricultural committee. It has to take care of agriculture and forestry, industry, culture, education, and science and technology. It has to do a good job in the construction of towns and cities as well as in agricultural work. It has to do a good job in spiritual as well as material civilization.

## DOMESTIC TRADE

### SHANDONG ISSUES COUNTRY FAIR TRADE REGULATIONS

Jinan DAZHONG RIBAO in Chinese 12 Jun 83 p 1

[Article: "Shandong Provincial People's Government Issues 'Proclamation' Setting Forth Country Fair Trade Policy"]

[Text] To further invogorate country fair trade in the cities and rural areas, to promote production, to increase circulation, to stabilize commodity prices and to safeguard the interests of the masses, the Shandong Provincial People's Government issued on 1 June a "proclamation" setting forth certain policies on country fair trade in the cities and rural areas.

1. Except for cotton and short-staple cotton which are permanently closed to the market, all class 1 and class 2 subsidiary agricultural products may be placed in the market after monopoly purchasing, over-the-quota purchasing and assigned purchasing by the state have been completed and contract terms have been fulfilled. Class 3 subsidiary agricultural products may be put in the market throughout the year. The state commercial enterprises and supply and marketing cooperatives must, within their approved operation limits, actively engage in multiple-channel operations, adjust the incoming and outgoing amount of stock, ensure an adequate supply of goods and maintain the stability of commodity prices in the market. Small retailers from the cities who have permits may collectively or individually make their purchases in the production areas and bring them to the cities to be sold at retail or wholesale according to regulations. The professional households, collective households and individual households in the rural areas may also bring their products to the cities to be sold. The collective and individual households in the rural areas engaged in the selling of subsidiary agricultural products are required to register with the local industrial and commercial administrative organs and to pay taxes according to the law.

2. All industrial products turned out by the state industrial enterprises which are permitted by the state to be sold in the market and all industrial products turned out by the state farms, the state agricultural, animal husbandry, fishery and forestry departments, the joint industrial and commercial enterprises and the collective enterprises that are not stipulated by regulations to be purchased by the state and all industrial products that remain after the state purchasing plan has been fulfilled may be sold at retail or wholesale in country fairs in the rural areas or in markets designated by the

cities. However, the collective and individual commercial households are not permitted to sell at the wholesale level class 1 and class 2 industrial products and class 3 industrial products which have not been approved.

3. The collective commune production brigades, individual peasants and city residents are permitted to sell their used bicycles, used materials and used farm tools in country fairs in the rural areas and markets designated by the cities for the sale of used articles. Proper permits and certification are required for the sale of used farm tools, used bicycles and large-size used materials that are of value. Individual retailers who have been approved by the industrial and commercial administration departments are permitted to engage in the sale of waste materials and used materials.

4. The commune production brigade enterprises, neighborhood collective enterprises and individual households are permitted to engage in or serve as agents for the sale of clothing as well as to buy cotton cloth and finished products made of synthetic fabrics that do not require cloth coupons and to sell them in the markets in the cities and rural areas. The sales prices for clothing, shoes and hats must be clearly marked.

5. Peasants are permitted to sell in the country fairs in the rural areas the industrial products which they have earned the right to sell. They must, however, be certified by the basic level administrative units and observe price control regulations.

6. The commune production brigades and peasants are permitted to engage in commercial operations, the service trades, handicrafts, processing, repairs, food services and transportation and to form partnerships in cooperative economic organizations. Individual industrial and commercial households are permitted to hire assistants and to take on apprentices according to policy stipulations.

7. The various people's governments, acting on the principle of making it convenient for the masses to buy and sell so long as they do not obstruct traffic, are to set aside suitable sites for country fair trade in the cities and rural areas. No unit or individual is permitted to occupy these sites illegally.

8. Fees are to be collected without fail for country fair transactions in the cities and rural areas. Except for market management fees collected by the industrial and commercial administration departments and epidemic prevention inoculation fees collected by the quarantine departments, no unit or individual is permitted to collect fees under any pretext. The industrial and commercial administration departments are empowered to put a stop to the illegal collection of fees.

9. The localities, cities and rural areas are not permitted to seal themselves off against one another. Without the approval of the provincial industrial and commercial administration bureaus, the localities are not permitted to set up at random industrial and commercial administration inspection stations and checkpoints. The revocation of permission to ship subsidiary

agricultural products outside the area must be reviewed and approved by the concerned units.

10. The state, collective and individual enterprises are to strictly observe socialist trends, protect the interests of the state and the consumers, abide by the state's price control regulations and refrain from altering or raising prices.

11. The organizations, groups, armed forces, schools, enterprises and business units may, according to policy stipulations of the state, purchase subsidiary agricultural products in the rural areas for their own use, but are not permitted to sell what they have bought.

12. All state-operated retail stores, collective and individual commercial enterprises and the food and service trades are not permitted to exceed the operation limits approved by the industrial and commercial administration departments or to cross the line in their business operations. Collective and individual retailers are required to engage in operations within their designated territorial limits, to display their permits and to clearly mark their prices. They are not permitted to buy up from the state and supply and marketing retail stores commodities in short supply and to sell them at higher prices to make a profit. It is strictly forbidden to engage in operations without permits.

13. All units and individuals engaged in the food services must strictly observe the rules and regulations issued by the state regarding food sanitation and are strictly forbidden to sell food that is toxic, harmful, unclean or spoiled.

14. Jewelry, jade, gold and silver, nonferrous metals, cultural relics, smuggled goods, superstitious objects and contraband goods are strictly forbidden to be put in the market; it is forbidden to resell or to exchange negotiable securities; it is forbidden to raise prices and to engage in panic buying, to replace quality commodities with inferior commodities, to sell spurious articles as genuine articles, to adulterate genuine articles with spurious articles and to shortchange customers; it is forbidden to engage in deceptive practices, to engage in hoarding and speculation and to jack up commodity prices.

15. The commercial, supply and marketing, food, public security, commodity prices, financial and taxation, banks, communication and transportation, health, weights and measures, agricultural, and urban and rural construction departments must establish close coordination with the industrial and commercial administration departments in invigorating country fair trade in the cities and rural areas, in protecting legitimate operations and in putting a stop to unlawful practices.

16. Depending on the nature and circumstances of the offenses against the provisions of this proclamation, the industrial and commercial administration and price control departments are to criticize and to educate the offenders, to buy up their goods at a low price or to have them confiscated, to exact



a fine, to suspend their operations or even to revoke their permits. Those who attack the market administration offices, who lay siege to and beat up market administration personnel and tax collectors and who seriously disturb public order in the market are to be dealt with by the political and legal authorities according to the law.

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CSO: 4006/633

## FOREIGN TRADE

### FUJIAN DOES WELL ON FOREIGN CONTRACTS

Fuzhou FUJIAN RIBAO in Chinese 11 Jun 83 p 1

[Article: "Fujian Makes Headway in Contracting for Foreign Engineering Projects and Labor Services"]

[Text] The reporter was told by Pu Huihua [5543 1920 5476], an engineer of the Fujian International Economic and Technical Cooperation of China, which was officially established yesterday, that Fujian had done well in the last 3 years in actively implementing the open-door policy and in developing such newly established projects as contracting for engineering undertakings and cooperative labor services with foreigners, that it had not only served to promote economic and technical exchange and cooperation between our country and the friendly nations, but that it had also earned foreign exchange for the state and accumulated funds for four modernization construction.

Up to April, our province had signed 35 contracts with foreigners, covering engineering projects, the supply of technical and labor services and joint investment operations. Six of the contracts have already been completed, while 21 are being carried out. We have assigned various types of technical service personnel totaling 594 person-times. The contracts amount to a total of over \$5.56 million. Up to February, the total amount of business done came to over \$3.19 million, while the net foreign-exchange earnings exceeded \$1.21 million. The average labor production rate per person per year engaged in the engineering contracts came to over \$10,000, while the labor production rate per person per year engaged in cooperative labor services came to \$3,000. Up to the moment, we have established business relations with clients in such countries and regions as Japan, the United States, Liberia, Malaysia, the Philippines, Hong Kong and Macao.

Judging from the engineering projects which have already been completed, our province has been able to fulfill contract terms insofar as the work period and the labor standard are concerned. It has earned a good reputation in the international market. For example, although the project contracted by Fuzhou for laying wooden floors and bricks in a sports arena in Macao was scheduled to take 3 months, it was actually completed in only 2-1/2 months. The technical service personnel assigned by the province are highly skilled, hard-working and meticulous in the observance of rules and regulations and have won favorable comment from their clients.

## FOREIGN TRADE

### BRIEFS

PRC-USSR BORDER TRADE--Beijing, 4 Aug (XINHUA)--Huang Wenjun, spokesman for the Foreign Economic Relations and Trade Ministry, announced today that trade at three places on the Sino-Soviet border will be resumed in accordance with the agreements made between China and the Soviet Union. These trading stations are located at Heihe in Heilongjiang Province and at Helgus and Tolgot in the Xinjiang Uygur Autonomous Region. Preparations are being made at present. Huang Wenjun disclosed this when answering a question raised by reporters.  
[Text] [HK041132 Beijing XINHUA Domestic Service in Chinese 0930 GMT 4 Aug 83]

CSO: 4006/730

## LABOR AND WAGES

### SHANXI MEETINGS ON SAFEGUARDING WORKERS' INTERESTS

SK050520 Taiyuan SHANXI RIBAO in Chinese 19 Jul 83 p 1

[Text] Trade unions should have a free hand in their work and work as organizations to speak and work for the workers. This is an issue set forth by leading comrades of the provincial CPC committee at a recent meeting of the provincial trade union council.

From 14 to 17 July, the provincial trade union council held the provincial meeting of representatives of trade unions and the provincial trade union work meeting. Li Xiuren and Wang Kewen, deputy secretaries of the provincial CPC committee, delivered speeches at the meetings. After viewing the history of trade union work since the founding of the PRC, Comrade Li Xiuren said: At present, the situation is very good and the party Central Committee attaches great importance to and supports trade union work. With regard to some important directives, trade unions have not done nearly enough and have lacked enthusiasm. Trade unions should have a free hand in their work.

Comrade Li Xiuren stressed: Trade unions must protect the interests of staff members and workers. He urges that trade unions should report the voice of staff members and workers, the suggestions of staff members and workers on party principles and policies, and the views of the masses on party and government cadres to party committees, should bring their functions in the state political life and cadre promotion work into full play, be brave in waging the struggle against the tendency to violate party policy and to damage the interests of the working class, bring into play their role in effecting a turn for the better in party style and social conduct, and should show conscientious concerns over and urgently help solve the ideological and practical problems of staff members and workers, such as the problems of studying culture and technology among young workers, housing distribution, children's education, and employment.

Comrade Li Xiuren set forth six demands on cadres of trade unions: First, overcome the sense of inferiority and foster a sense of honor and a sense of responsibility; second, study and strive to master party and state lines, principles, policies, and decrees and grasp the weapon for disguising truth from falsehood to speak and work for the workers; third, go deep into the grassroots units to actually understand the situation; fourth, grasp the trade

union work methods and be good at handling all contradictions; fifth, in line with actual conditions, localities and units should attend to one or two issues which most people are concerned with and which effect the people; and sixth, promote a group of middle-aged and young cadres who are in their prime of life, well educated, and able to speak and work for the workers to leading bodies of trade unions at all levels.

In his speech, Comrade Wang Kewen stressed that party committees at all levels should strengthen the leadership over the trade union work.

Comrades participating in the meetings conscientiously studied the directives of the secretariat of the CPC Central Committee on trade union work, studied and worked out measures for further studying and implementing the directives on the basis of enhancing their understanding, and arranged the province's trade union work for the second half of 1983. The provincial meeting of representatives of trade unions elected our province's representatives for the 10th National Trade Union Congress. The fifth plenum of the Sixth Provincial Trade Union Council approved the newly composed leading bodies of the provincial trade union council, approved the appointments of Li Tingfeng as chairman and Guo Changfu and Zhang Dechun as vice chairmen. Yan Zhao, former chairman of the provincial trade union council, expressed the hope that he will be able to bring his "remaining enthusiasm" into play and to enthusiastically help support new leading bodies to achieve the work.

CSO: 4006/730

## LABOR AND WAGES

### BRIEFS

TIANJIN COLLECTIVE ENTERPRISES--In the first half of 1983, Tianjin Municipality established 456 collective enterprises, offering jobs to 20,400 people.  
[Summary] [Tianjin City Service in Mandarin 0030 GMT 27 Jul 83 SK]

CSO: 4006/730

## TRANSPORTATION

### BRIEFS

LIAONING YINGKOU HARBOR--The new Yingkou harbor in Liaoning Province is one of the state's 70 top priority projects. The Bayuquan port of the Yingkou harbor, which is generally called the new Yingkou harbor, is located in the northern part of Liaodong Bay below Mount Duntai in Gai County and is 70 kilometers from the urban area of Yingkou City. Bordering on the Xianrendao in the south and Gaipingjiao in the north, this harbor has natural defenses. The harbor area does not freeze in the winter, winds and waves here are small throughout the year, and the sea floor is not silted up. In 1982, the state officially approved the plan for building this harbor by stages. In the first stage of this project which will be completed in 1990, more than 320 million yuan will be invested in building six 10,000-ton-class berths and two middle-class berths with a designed annual handling capacity of 6.9 million tons. The two 10,000-ton-class berths for coal transports will be completed and put into production at the end of 1986, opening a new coal transport route between Qinhuangdao and Bayuquan. According to the overall plan, this harbor will be built into a modern one which will embrace more than 30 big and middle-class berths by the year 2000. [Summary] [Shenyang LIAONING RIBAO in Chinese 27 Jun 83 p 1 SK]

CSO: 4006/730



GENERAL

GAO YANG URGES VIGOROUS DEVELOPMENT OF HEBEI

HK030607 Shijiazhuang HEBEI RIBAO in Chinese 23 Jul 83 p 1

[Report by Li Naiyi [2621 0035 3015]]

[Text] At a report-back meeting on audio and video products with the theme of "lovely Hebei," the first secretary of the provincial CPC committee, Gao Yang, put forward a slogan: Renovate our spirit and vigorously develop Hebei! He called on people throughout the province to carry out the activities of learning from the advanced, catching up with the advanced, and striving to be the advanced to push forward the building of socialist material and spiritual civilization.

The report-back meeting was held by Hebei people's broadcasting station and Hebei television station in coordination with the activities of patriotic propaganda and education. Responsible comrades of the provincial CPC committee, Standing Committee of the provincial people's congress, provincial government, provincial CPPCC, and departments concerned directly under the provincial CPC committee attended the report-back meeting and watched the video tapes concerned with interest.

Comrade Gao Yang delivered an important speech at the meeting. He said that he was glad to watch video tapes and to listen to songs broadcasted by Hebei television station and Hebei people's broadcasting station on the theme of loving the hometown, Hebei, and the motherland. He added: With regard to the way to carry out the activities of patriotic propaganda and education, Comrade Gao Zhanxiang already clearly pointed this out in his speech entitled "While Carrying Out Patriotic Education, We Should Pay Attention to the '10 Integrated'" delivered at the second plenary meeting of the provincial committee responsible for the activities of the five stresses, four beautifuls, and three loves on 18 July. Over the past month, the provincial CPC committee has been discussing a slogan such as: Renovate our spirit and vigorously develop Hebei. The purpose in putting forward such a slogan is to mobilize the broad masses of cadres and people to make contributions to the four modernizations of the motherland. The provincial CPC committee is studying specific measures for renovating our spirit. He stressed: Natural conditions geographical position, and revolutionary

traditions of Hebei Province and our experience obtained since the founding of new China have enabled us straightaway to mobilize people throughout the province vigorously to carry out the activities of learning from the advanced, catching up with the advanced, and striving to be the advanced, and to push forward the building of material and spiritual civilization in Hebei. (full text of the speech will be published separately)

The secretary of the provincial CPC committee, Gao Zhanxiang said in his speech: Comrade Gao Yang's report delivered today is very important. The slogan of renovating our spirit and vigorously developing Hebei keeps abreast with popular feelings and has encouraged people throughout the province to carry out the activities of learning from the advanced, catching up with the advanced, and striving to be the advanced. This conforms to the development of the situation in Hebei, and effectively integrates the activities of loving the motherland with those of loving Hebei. This slogan has touched people's hearts and greatly encouraged them. Departments of culture, propaganda, press, publication, broadcasting, television, and others should select titles to write articles from different new angles around such guiding ideology in coordination with the in-depth development of the activities of patriotic propaganda and education.

This provincial CPC committee secretary explained: The glorious history of Hebei and heroic deeds of the older generation of revolutionaries are valuable materials for carrying out the activities of patriotic propaganda and education. We should effectively make use of such valuable materials greatly to enhance people's consciousness, to arouse their fighting will, and to encourage them to create a new situation in socialist construction and to dedicate themselves heart and soul to vigorously developing Hebei.

Li Feng, executive member of the provincial CPC committee and vice provincial governor, and Xu Chunxing, executive member of the provincial CPC committee, also delivered speeches at the meeting. Yu Tongyi, deputy secretary of the provincial CYL committee, also spoke.

CSO: 4006/730

## GENERAL

### BRIEFS

INTERNATIONAL ECONOMIC SOCIETY--Beijing, 27 July (XINHUA)--The China International Economic Cooperation Society was set up here yesterday. It will study the theory and practical problems of international economic cooperation. Chen Muhua, state councillor and minister of foreign economic relations and trade, is honorary president, and Shi Lin, advisor to the Ministry of Foreign Economic Relations and Trade, is president. [Text] [OW272337 Beijing XINHUA in English 1142 GMT 27 Jul 83]

CSO: 4020/109

GUANGDONG TO ACT ON FREE MARKET ANOMALIES

HK020818 Hong Kong MING PAO in Chinese 1 Aug 83 p 5

["Special Dispatch" from Guangzhou: "Free Market in Chaos; Illegal Traders on the Rampage--Guangdong To Strengthen Controls"]

[Text] In recent years, the free market of various places in the urban and rural areas in Guangdong has been developing rather fast, and thriving considerably. However, owing to poor control over the market, opportunities exist which can be exploited to the advantage of illegal traders. They have practiced cheating in the trade, and dominating and disrupting the market. Such phenomena exist as false weights, the forcing up of commodity prices, and adulterating and mixing commodities, which the consumers have suffered a lot and poured out endless grievances.

The provincial industrial and commercial administrative bureau recently called a meeting in Huiyang City to exchange experiences in controlling the country fair trade for urban and rural areas of the whole province, focusing on strengthening control over the free market, cracking down on illegal traders who cheat and dominate the market, strictly forbidding such operations in violation of the law as false weights, the forcing up of commodity prices, and adulterating and mixing commodities, and banning traders without licenses.

According to a person in charge of the provincial industrial and commercial administrative bureau, during the first half of this year, the volume of free market trade business of the whole province amounted to 2.05 billion yuan, up 16.5 percent over the same period last year. From now on, the task for industrial and commercial departments is to take aim at problems that have appeared in the free market and to strengthen controls in accordance with policies, so that the market will be lively but not chaotic, and under control but not rigid. At present, emphasis should be laid on doing a good job in the following control work:

We must crack down on illegal traders who disrupt the market, and who cheat and dominate the market. At present, illegal traders often gang up to block the road and rush to purchase agricultural and sideline products that the peasants carry to the cities for sale, with an aim to monopolize the market,

and sell the products at forced-up commodity prices. It is imperative to adopt powerful measures and resolutely crack down on them in accordance with the concrete conditions of controls of the local market.

We must strictly forbid actions in violation of the law and which injure the interests of the masses such as cheating through practices of false weight, adulterating and mixing commodities, substituting second-rate for first-rate commodities; and we must perfect the control system of the market.

Industrial and commercial administrative departments should, on their own initiative, work in cooperation with departments of public security, public health, and measurement and tax in carrying out examination; and carry out education for and deal punishment to various people who have committed illegal activities. Serious cases should be handed over to judicial departments for handling.

We must ban traders without licenses who engage in profiteering in various coupons and certificates, commodities, and smuggled goods. At present, the commodities of some traders without licenses are of questionable origin, some of them have been fraudulently purchased from factories or stores, some derived from exchange with coupons and certificates, while others purchased from smugglers. They are running amuck, setting up stalls everywhere, and reselling their stocks at high prices. It is imperative to ban them.

We must strengthen control over peddlers. For those who engage in temporary peddling, temporary credentials are to be issued; for those who engage in seasonal peddling, permits to peddle are to be issued; and for those who engage in peddling all year round, operation licenses are to be issued. Industrial and commercial administrative departments should at periodic intervals check up on and supervise the peddlers, to ensure that they carry out their peddling within the field of operations as stipulated, strictly implement the price policy stipulated by the state, and pay taxes and administrative fees in accordance with the stipulations. Any activity in violation of the law will be dealt with according to the seriousness of its case.

We must strengthen control over traders with licenses. Regarding those who have received licenses to operate, it is necessary to strengthen control, and check on whether the orientation of their operation and commodities have exceeded the scope of operation, whether the prices set have violated policies, and whether the phenomenon exists of cheating the masses by substituting second-rate for first-rate quality in the commodities for sale. Licensed traders must show their credentials in their operations. It is strictly forbidden to buy one's business license; and those in violation of this will be punished.

We must strengthen the administration of farm and sideline products, and the wholesale marketing of industrial articles of daily use. The contract form can be used to link peddlers of other provinces with local purchasers and sellers, and turn them on the economic track of the unified administration of the state, to effectively block cheating and dominating the market and the forced purchase of commodities by lot, and then reselling them at raised prices. This will be advantageous to the stability of the market.

SHENZHEN DELEGATION ON SPECIAL ZONE DEVELOPMENT

HK011502 Hong Kong HSIN WAN PAO in Chinese 1 Aug 83 p 1

[Report: "Liang Xiang Talks About Shenzhen Special Zone Development"]

[Text] The 14-person "Shenzhen city observation delegation," with Liang Xiang, mayor of Shenzhen city, as its head, and Luo Changren, vice mayor of Shenzhen as its deputy head, arrived in Hong Kong after its tour to Japan. The delegation starts its 5-day visit in Hong Kong today, and will hold talks with local real estate, industrial and commercial, and educational circles.

During an interview with our reporter this morning, Mayor Liang Xiang disclosed that 60 major projects are being carried out to introduce industrial technologies to the Shenzhen special economic zone in the recent period. These projects involve the following fields: electronics, mechanical engineering, petrochemical industry, light industry, textile industry, catering industry, handicraft, garment industry, hardware industry, furniture industry, building material industry, and so on, of which the electronics industry and the building material industry, which demand advanced technologies, are the most badly needed.

Liang Xiang pointed out that by May this year, more than 1,800 technology-introducing projects, which involved a total investment value of 12 billion Hong Kong dollars, were carried out in the Shenzhen special zone. The results of a survey showed that most of these projects were successful and had brought about great profits, while only less than 10 percent of them were controversial.

He said: In light of our experiences obtained in the last 2 1/2 years, the Shenzhen special economic zone should mainly focus on joint ventures in introducing industrial projects in the future, as compensation trade, processing of raw materials provided by foreign investors, and other investment forms, are relatively suitable for small-sized enterprises.

As he said, the customs formalities will be further simplified for those Hong Kong residents who run enterprises or own premises in the special zone. A tentative idea suggests that these residents will pass customs by showing a special pass, something like a "card carrying computerized personal data."

When talking about the delegation's trip in Japan, Liang Xiang said: The delegation visited many cities and many large plants in Japan from 17 to 30 July. The delegation was mainly interested in the urban construction and traffic management of Japan. The delegation's general impression is that Japan's urban construction planning is relatively advanced. The urban construction layout is rational with the building of daily life facilities kept in line with actual demand, and in addition, the country has done quite a good job in tree planting and environmental protection. These experiences are rather enlightening to the development planning of the Shenzhen special economic zone. It is believed that the Shenzhen special economic zone will basically complete its daily life facility system and will greatly improve its telecommunications network, underground construction, and so on, in 3 to 5 years.

In Hong Kong, the Shenzhen city observation delegation will be present at a welcoming banquet in its honor given by the real estate developers association of Hong Kong this evening and will hold talks with the members of the association. In the next few days, the delegation will hold talks with the Peihua Education Foundation of Hong Kong, the Chinese Manufacturers' Association of Hong Kong, the federation of Hong Kong industries, the Chinese General Chamber of Commerce of Hong Kong, and educational circles. The delegation will leave Hong Kong for Shenzhen at 1400 on 5 August.

CSO: 4006/732

END